



Public Utilities

FORTNIGHTLY



VE 5 1952


TER—THE KEY TO THE NATION'S BASIC INDUSTRIES

CURRENT VIEWS OF INFORMED PERSONS ON MATTERS
OF VITAL INTEREST TO ELECTRIC UTILITIES

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Public Utilities

FORTNIGHTLY

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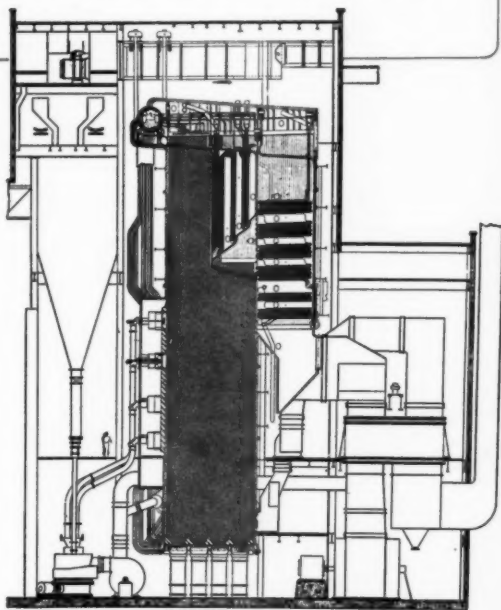


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Q-352T

Pages with the Editors

As this issue goes to press, the members of the Edison Electric Institute are preparing to assemble for their annual convention at Cleveland, Ohio. Following our customary practice of past years, we have arranged, for publication in this issue, a special selection of material of interest to the electric power industry. Feature articles and departmental coverage have been constructed with a view to their bearing on problems of particular interest and importance to the electric utility companies.

GLANCING over our list of contributors, we lead off with a straight-from-the-shoulder message from the president of the Edison Electric Institute, GEORGE M. GADSBY, who is also president of the Utah Power & Light Company. His article, entitled "The Janus State," is the opening feature in this issue. Born in Collinwood, Ohio, the son of a Congregational minister, MR. GADSBY graduated (BA, '06, Magna Cum Laude, Phi Beta Kappa) from Marietta College. He later received two other degrees from the same institute (MA, '07; LL.D., '41). He received his engineering training at the Massachusetts Institute of Technology (BS, '09). He entered on his utility



JAMES F. FAIRMAN

career with the American Water Works & Electric Company at Warren, Pennsylvania, and shifted to the West Penn Power Company in Pittsburgh in 1918, becoming president nine years later. He went to Utah as chief executive of the Utah Power & Light Company in 1929.

ALL of our readers in other utility groups and in the field of regulation may not be familiar with EEI—the nation's largest and oldest electric trade association—organized in 1933 as successor to a previous association which dated back to Edison in 1885. The EEI now encompasses over 200 investor-owned electric utilities directly serving 80 per cent of the nation's customers, supplying 85 per cent of all power used in the country. The EEI's principal functions are performed through committees staffed by 900 of the industry's most able men.

* * * *

It is fitting that the chairman of the Federal Power Commission should contribute to this issue (beginning page 750). THOMAS C. BUCHANAN is a native of Beaver county, Pennsylvania, and a graduate of Washington and Jefferson



THOMAS C. BUCHANAN

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College (AB, '17) and the University of Pittsburgh Law School. Following service in World War I, he practiced law in Beaver county until his appointment to the Pennsylvania Public Service Commission in 1936, where he served for eight years. He was named to the FPC in 1948 and was designated chairman early this year.

* * * *

AN executive official of the electric utility industry, who has perhaps the most important function with respect to that industry's relation with the Federal government during the present defense emergency, is JAMES F. FAIRMAN, Defense Electric Power Administrator. His article on the present status of DEPA material controls begins on page 732. A native of Big Rapids, Michigan, and a graduate of the University of Michigan (BS, '18; MS, '21). Mr. FAIRMAN started teaching electrical engineering at his alma mater. He joined the Brooklyn Edison Company in 1925, and following merger of the New York city area companies became electrical engineer for the Consolidated Edison system. In 1940 he was named assistant vice president and in 1945, vice president of Consolidated Edison. He is now on leave during his tenure of duty as head of Interior Department's DEPA.

* * * *

ANOTHER electric utility executive whose article on private company hydroelectric developments begins on page 744, is ALEXANDER M. BEEBEE, president of the Rochester Gas & Electric Corporation, Rochester, New York. He joined that organization in 1916 as a cadet engineer following his graduation from Cornell University (ME, '15). He has been especially active in industry association affairs.

* * * *

DONALD D. HOOVER, whose article on employee relations begins on page 766, is president of Bozell & Jacobs, Inc., the public relations agency which has been conducting the Public Information Program (PIP) for the electric companies for the past three years. His background is journalism. He was reporter, JUNE 5, 1952



ALEXANDER M. BEEBEE

editor, columnist, and Washington correspondent, and before becoming public relations consultant for Bozell & Jacobs worked for utility companies in many parts of the country. Mr. HOOVER organized a public relations program for the electric industry in Mexico. During World War II he served on the staffs of Eisenhower, Alexander, and MacArthur.

* * * *

F. E. VERDIN, whose article begins on page 759, is director of personnel for The Cleveland Electric Illuminating Company. A Syracuse University graduate (EE, '21) Mr. VERDIN formerly handled personnel work for the Niagara Hudson system.

* * * *

FRANK C. SULLIVAN is now a public relations consultant of San Francisco. He was for many years a special press representative for the California Public Utilities Commission, with a veteran background of journalism and public relations work. His article, entitled "Is Public Regulation of Utilities in Jeopardy?" begins on page 773.

THE next number of this magazine will be out June 19th.



The Editors

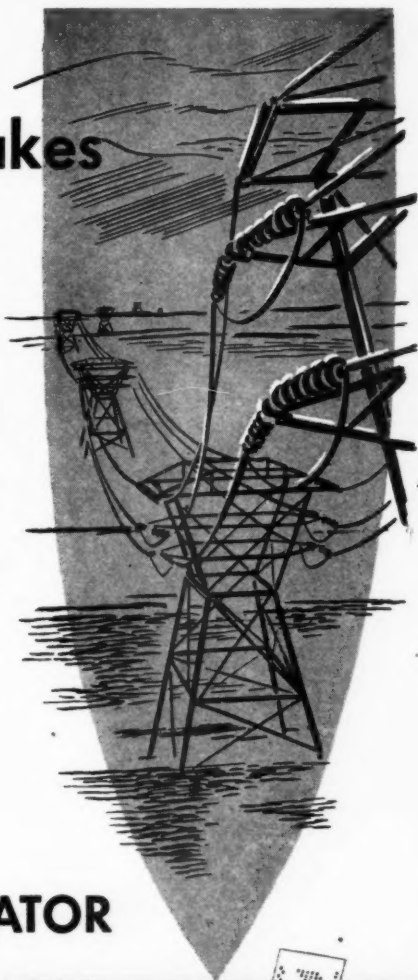
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Coming IN THE NEXT ISSUE



IMPACT OF PRICE LEVEL CHANGES ON DEPRECIATION COSTS OF PUBLIC UTILITIES. Part I.

The argument that accounting does not need to give recognition to changes in the price levels gets careful but critical comment from Paul Grady, a partner of Price, Waterhouse & Co. His analysis of the impact of price level changes on depreciation costs of public utilities should remove whatever doubts many people may still have that present customers of electric utilities are receiving an unjustified windfall at the expense of investors and future customers.

INFLATION—WHAT IT MEANS TO UTILITIES AND INVESTORS

Jackson Martindell of the American Institute of Management sees a dark future for public utilities unless an economically sound approach to utility rate making in times of inflation is soon forthcoming. Some practices of utility managements, particularly with respect to depreciation accounting, come in for helpful advice and suggestions are offered for surviving the current "second stage inflation."

ANN ARBOR'S PUBLIC UTILITY EXECUTIVE PROGRAM

Next month the University of Michigan's School of Business Administration will open its doors, once again, to more than fifty public utility executives representing electric, gas, and telephone companies from coast to coast. They will take part in an executive development program. Courses will include: economics; financial administration; human relations; management functions; and public utility regulation. The program is designed as an aid to executives in preparation for added responsibilities in management and policy determination. A firsthand impression of the 1951 sessions is presented by Edmund J. Thimme of Public Service Electric & Gas Company of New Jersey, who took an active part in last summer's sessions.



Also . . . *Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.*

JUNE 5, 1952

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Going through a lot of motions and hand-waving today is not only exhausting, but mighty costly.

In utility offices . . .

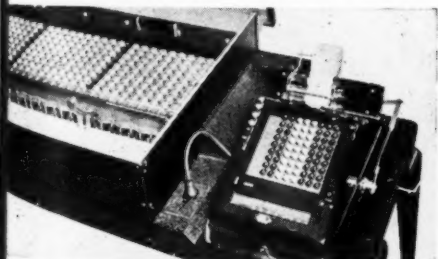
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The Freeman.

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*Grand chief engineer,
Brotherhood of Locomotive
Engineers.*

RILEY W. DOE
*Vice president, Safeway
Stores, Inc.*

HARRY FLOOD BYRD
U. S. Senator from Virginia.

DECHARD A. HULCY
*President, Lone Star Gas
Company.*

CLEO F. CRAIG
*President, American Telephone
and Telegraph Company.*

GEORGE E. SOKOLSKY
Columnist.

"A friend of free enterprise is hardly worth having if he can only fume and sputter. He must know the facts; he must think; he must be articulate; he must be able to convince."

"In the light of . . . the seizure of the steel industry, this nation is faced with the specter of continuing and expanding involuntary servitude unless present seizure tactics are wiped out on constitutional grounds."

"Our democracy is being given away by the carelessness of our own people. And businessmen are being used as the whipping boys for those who would obscure the real culprit in our economy—the government."

"There's a limit beyond which we cannot go in spending, and survive. We must stop tilting at every windmill that may have a Communist behind it, and stop trying to make Democrats out of people who don't want to be Democrats."

"Profits are the mainspring in the watchworks of free competitive enterprise. It is no exaggeration to say that the death of free enterprise in America would mean government with a free hand in our pocketbook—and over our lives."

"We don't enjoy asking for rate increases. But we know it is our responsibility—as well as the responsibility of the public authorities which regulate telephone rates—to make sure that earnings and dividends will be as high as they need to be to maintain our good credit standing."

"The curious thing about it all is that in spite of a budget approaching \$100 billion, nobody thinks of economizing. Economy is as important as efficiency although they are really parts of the same idea. The Hoover reports, it is said, are 50 per cent implemented, yet there is no evidence in the budget of any economy. The Hoover reports were designed for increased efficiency and considerable economy. There is no evidence of either."

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REMARKABLE REMARKS—(Continued)

OSCAR L. CHAPMAN
Secretary of the Interior.

"When we have built every reclamation dam possible in the West, we still will need water."

HENRY FORD II
President, Ford Motor Company.

"When free men are no longer encouraged—or compelled—to resolve their differences through honest collective bargaining, we have gone a long way toward economic totalitarianism."

EDITORIAL STATEMENT
Industrial News Review.

"Socialized electricity is a grade-A example of how the budget can be materially cut—to the detriment of no one save some bureaucrats, and to the great benefit of everyone, especially the taxpayer."

EDWIN C. JOHNSON
U. S. Senator from Colorado.

"I am opposed to the release of any secret information on the subject of atomic energy until it is fully established that it is harmless information and will in no way jeopardize the vast stake this country has in the development."

RAYMOND MOLEY
Columnist.

"What a true believer in liberty is seeking in economic life is that minimum of government restraint, aid, and control which will leave the largest possible scope for the exercise of individual initiative and effort, and for reward."

M. S. RUKEYSER
Columnist.

"Since the productivity of the American free enterprise, merit system is demonstrably vastly more productive than the slave systems of Europe and Asia, there should be critical understanding of the hazard of weakening the American system by emulating too many collectivized patterns for a 'controlled economy'."

RALPH J. CORDINER
President, General Electric Company.

"Tax legislation of the last few years has been shaped by the fact that for our political leaders increases in corporate taxes have represented the easiest and most politically expedient course. It remains for American enterprise, and for those who own these enterprises, to oppose this trend and to insist that our spending and taxing programs take into account the need to encourage the savings and investment essential to the future growth of the entire economy."

JAMES A. FARLEY
Chairman, Coca-Cola Export Corporation.

"Proponents of these [socialistic measures] hold out the bait of total security. They profess to eliminate all risk from purchasing, all risk from the supply and exchange of goods. But what they would really do is to take away from our public the right to pick and choose, the right of a man to give his patronage to the product he likes best, based on his own good judgment. And for his judgment they would substitute the judgment of government bureaucracy."

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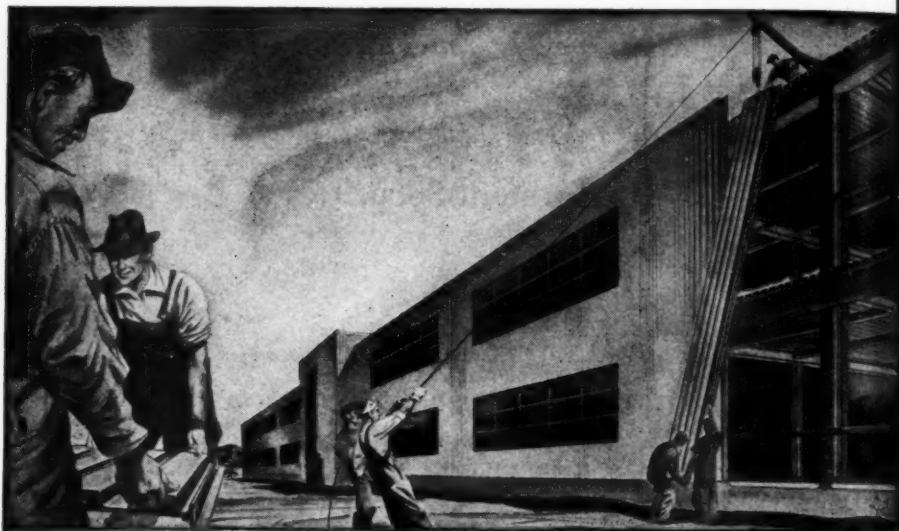


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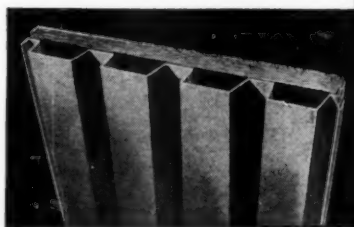
And that is an easy way to understand why Robertson's real product is time.

We make walls that are hung in place. We make them complete with insulation when the panels are delivered. We engineer them piece by piece in advance at the factory. We put expert crews on the job to place them.

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We save days and weeks in finishing a building for use, because years have been put into the development of these unique skills.

Quick is the word we practice.



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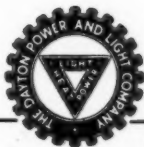
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\$50,500,000

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12/31/40

12/31/46

3/31/52

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DAYTON, OHIO



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Such a record spells *opportunity*...for businessmen, investors, workers, vacationists...*everyone*! There's a "place in the sun" for you in Florida's bright future! Better look into it!

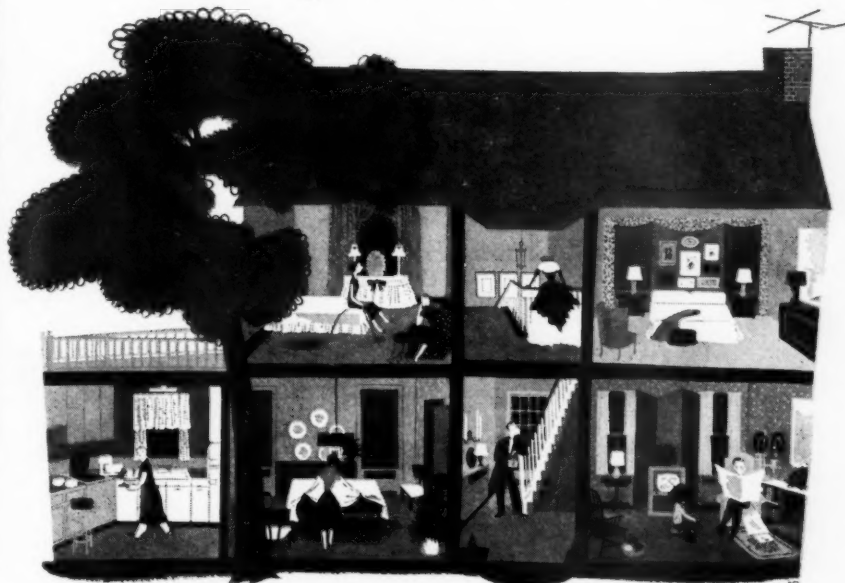
FREE COPY! Excerpts of our 1951 Annual Report feature an amazing engineering study of Florida's estimated growth for the next 10 years. Interested? Address our General Offices, P.O. Box 3100, Miami, Florida.



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Your fine, modern appliances are made from steel which is made from coal. And coal generates the electricity to run them. It's coal that brings heat to millions of families . . . powers the manufacture of the rich variety of products you find in America's homes. Indeed, most of the good things that make our standard of living the highest in the world depend on coal!

Because coal is so useful, it's important to all of us that America's coal industry is the world's most efficient—that America's vast coal reserves can supply the nation's heat, light and power for centuries to come!

Responsible for choosing a fuel to power a factory—to heat a home or other building? Then consider the many important advantages of bituminous coal!

DOWN-TO-EARTH FACTS ABOUT COAL!

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- ☆ America's vast reserves make coal's supply always dependable!
- ☆ Dependable supply assures price stability!
- ☆ A progressive industry strives constantly to deliver an ever better product at the lowest possible price!

BITUMINOUS COAL INSTITUTE

A Department of National Coal Association,
Washington, D. C.

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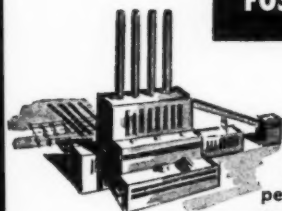


From the pioneering development in Superheaters to the

the trend in modern steam generator design

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FOSTER WHEELER combination radiant and convection reheat



Today's central station calls for larger unit sizes of turbines and boilers, higher steam pressures and temperatures—and optimum quality and performance. To provide steam in the quantity, pressure, temperature and purity demanded, increased emphasis falls upon the design and function of superheaters and reheaters. Their integration with other components of equipment and plant requires the high degree of skill and experience that comes only with years of leadership in the field.

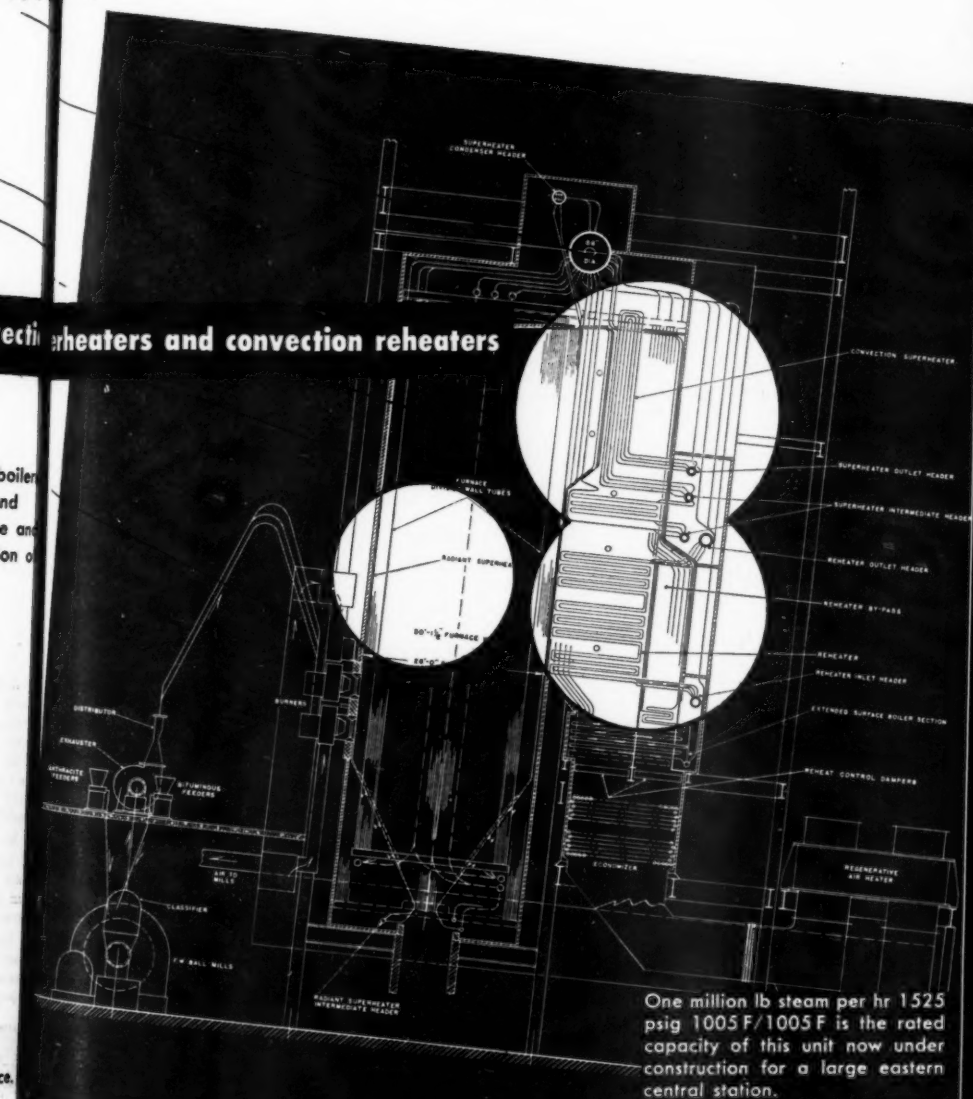
Foster Wheeler's pioneering effort in steam generator design, as reflected in the following record of achievement, has led the way for every major development in the reheat cycle.

- 1902 — Superheated steam introduced commercially in the United States.
- 1904 — Convection superheaters standardized with cast iron extended surface rings applied to steel tubes. Bare tubes were later used with improved design technique and improved metal selection.
- 1919 — Radiant superheaters developed after long research and experimentation.
- 1924 — Water walls and water backs applied to many types of furnaces burning various fuels.
- 1926 — Radiant reheaters and radiant superheaters installed in one of the first large high pressure reheat units in the country.
- 1946 — First large steam generator installed in a central station to operate over a wide load range at 1000 F final steam temperature.

As a result of this 50 years' background of experience and leadership, each new steam generator can be depended upon to have Foster Wheeler's integrated quality and performance.

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ENGINEERS

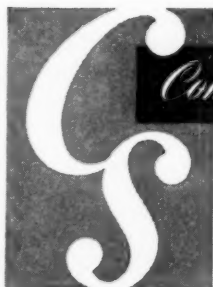
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NEW ISSUE

226,835 Shares

Iowa Power and Light Company

Common Stock

(Par Value \$10 per Share)

The Company is extending to the holders of its Common Stock the right, evidenced by transferable Subscription Warrants expiring May 28, 1952, to subscribe for the shares named above, all as more fully set forth in the Prospectus.

Subscription Price \$21.25 per Share

Prior to the expiration of the subscription offer the Underwriters, through their Representative, may offer these shares at prices and subject to the terms and conditions set forth in the Prospectus.

Copies of the Prospectus may be obtained from the undersigned only in those States in which the undersigned may legally offer these securities in compliance with the securities laws of the respective States.

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May 15, 1952

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ABOUT ONE-THIRD OF ALL OF THE ELECTRIC COMPANIES HAVING OPERATING REVENUES IN EXCESS OF \$45,000,000 HAVE EMPLOYED THE SERVICES OF OUR ORGANIZATION TO ASSIST IN THE SOLICITATION OF PROXIES FOR MEETINGS OF THEIR STOCKHOLDERS.

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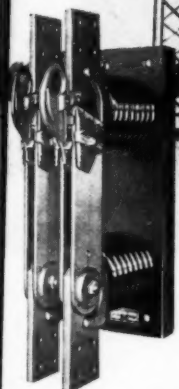
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DEPENDABILITY - EFFICIENCY - ECONOMY

Are Yours when you specify

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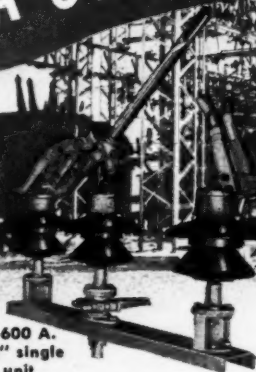


23 Kv. 3000 Ampere, Type "A-14P" indoor disconnect



Type "CS" straight connector for square tubing

23 Kv. 600 A. "MK-40" single pole unit



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In the final evaluation, the soundness of your power switching purchases will be measured not by the initial investment but rather by service rendered over the years.

Through more than four decades of experience in designing and manufacturing, plus constant research, Delta-Star has developed a complete line of power switching equipment with a long record of efficiency and economy.

This background of experience and reliability is your assurance that Delta-Star can best meet your requirements today and in the future.



34.5 Kv. single conductor Type "SBO" outdoor terminator

DELTA-STAR ELECTRIC COMPANY

DIVISION OF H. K. PORTER COMPANY, INC.

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save money at your service entrances

Installing Kinnear Steel Rolling Service Doors in your service entrances is an investment that quickly pays for itself in at least three ways:

- (1) Coiling upward action gives you full use of *all* floor and wall space around doorways. Materials of any kind can be stored within an inch or two of the doors, inside or out, without impeding their operation.
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By opening straight upward with spring-counterbalanced action, they provide smooth, easy operation under all conditions. They can be equipped for manual, mechanical, or electrical control. Motor operated doors can be equipped with any number of remote control switches, for maximum convenience. Kinnear Doors are built in any size, for easy installation in old or new buildings. Write for complete information.



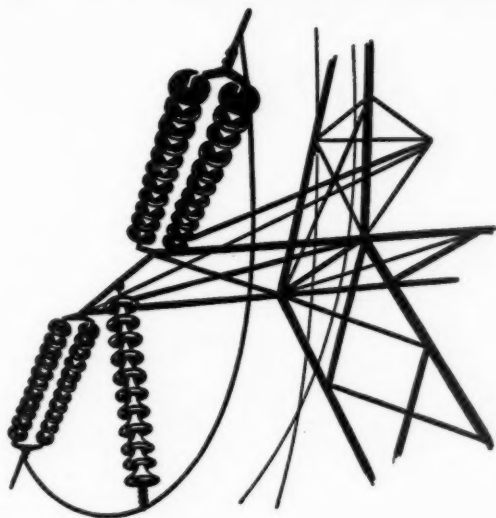
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Freedom Station

Public utilities have seen to it that there's plenty of power behind America's defense program. Because they have followed a consistent pattern of expansion and improvement, electric and gas utilities are able to meet today's heavy preparedness demands and at reasonable cost to consumers.

Guaranty Trust Company, long active in public utilities financing, has contributed to the industry's progress. The Guaranty's comprehensive experience and thorough knowledge of this industry make this bank well qualified to handle all phases of public utilities financing.

In addition to direct financing, we act as registrar and transfer agent for public utilities securities, as trustee of bond issues and pension trusts, and in other related capacities. We invite you to consult with our Public Utilities Division.

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It's a just pride really . . . the kind that any one of a thousand public utilities across the land can claim.

Because their job, *yours*, isn't easy—consists of a great many varied and complex problems.

We can't solve them *all*, of course. But here at Merrill Lynch, we are prejudiced enough to feel that on questions of financing, anyway, you might find good use for our services.

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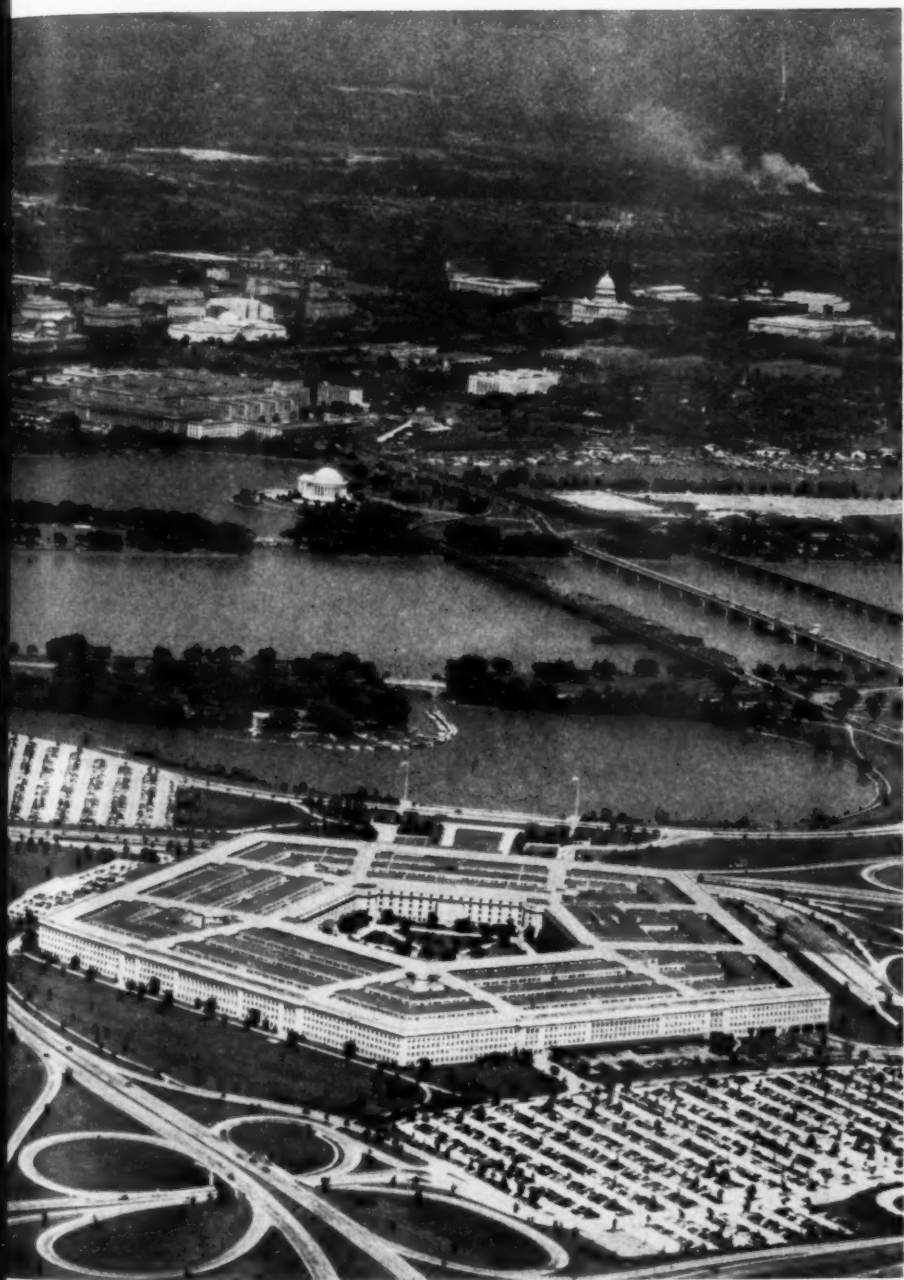
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That's why you see so many Internationals on tough jobs. That's why you'll be money ahead to see your International Truck Dealer or Branch and get the *best* truck engineered for your job. Why not make it *soon*?

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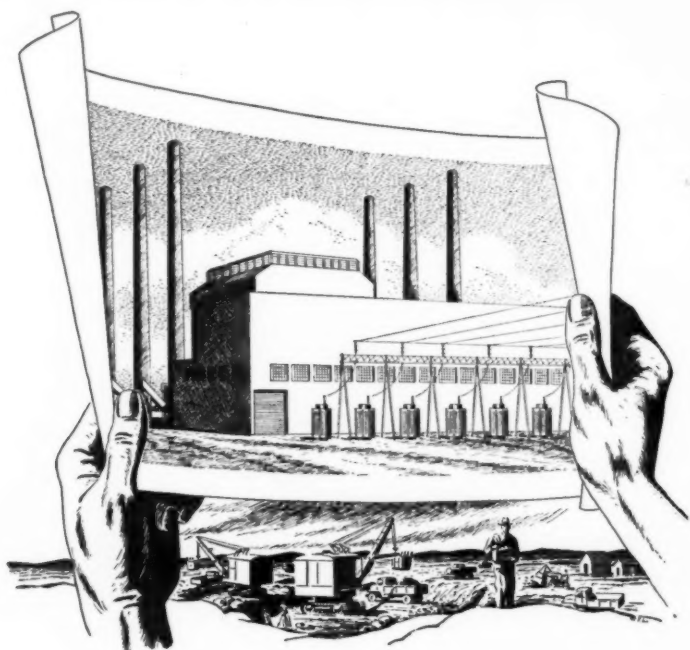
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It cost us a million dollars every 3 days for 7 years!

Since V-J Day, it has cost P. G. and E. an average of \$1,000,000 every three days for the construction of new gas and electric facilities to serve fast-growing Northern and Central California.

In seven years, P. G. and E. has connected 330,351 new electric customers; 313,760 new gas customers.

Total sales have increased from \$160 million in 1945 to \$279 million in 1951.

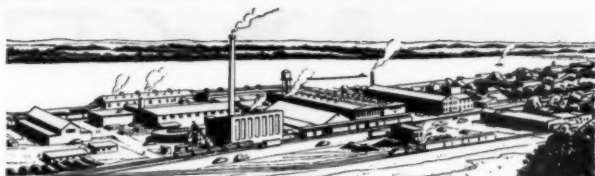
By mid-1953, P. G. and E.'s post-war construction will have added a billion dollars' worth of new facilities to the system . . . the largest utility construction program in history!

Working for a greater California since 1852

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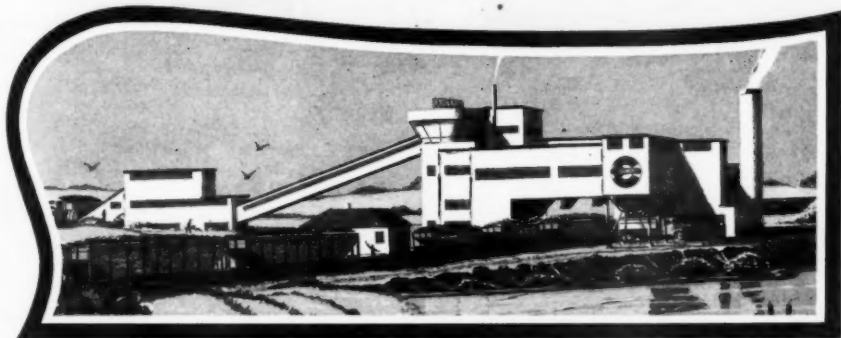
PACIFIC GAS AND ELECTRIC COMPANY

CENTRAL FIBRE PRODUCTS



Headquarters Plant of Central Fibre Products Company, Inc. Quincy, Illinois.

Central Fibre Products Company—one of the country's leading manufacturers of paperboard and paper boxes—holds a nation-wide reputation for high quality and superior service. Central's five mills and ten box plants, strategically located from Salt Lake City to Vincennes, serve efficiently thousands of industries requiring quality packaging.



Key Mine, Astoria, Illinois. Typical of Southern's extensive modern operations.

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Steam, efficiently and economically produced in adequate volume for both processing and power supply was Central's objective. Southern helped them accomplish it by equipment analysis, burning tests and application of the right coal to their specific requirements.

Southern offers this comprehensive coal service to all mid-western industries . . . Big producing mines in Ohio, Western Kentucky, Indiana and Illinois provide a wide selection of coals . . . A rigidly controlled program of production and preparation maintains high quality uniformity. Coals are washed, precision sized, graded and laboratory tested daily at the mine.

Industrial users seeking lower over-all production costs will find essential fuel economies in the maximum burning efficiency, dependable quality, scientific application and plentiful supply of Southern's industrial coals . . . 10,000,000 tons annual capacity, tremendous reserves . . . Contact your nearest Southern office for complete details.

YOU CAN RELY ON SOUTHERN'S ENGINEERED INDUSTRIAL COALS

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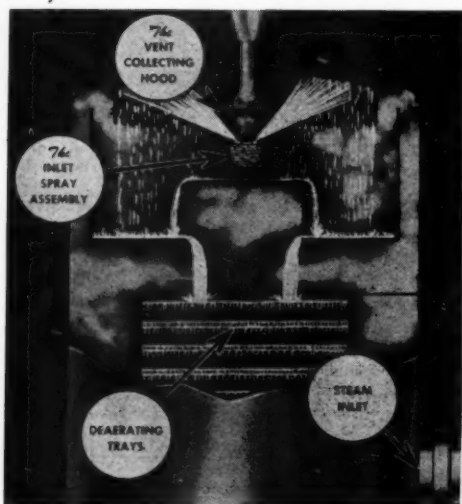
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They
STOP
corrosion!

ELLIOTT deaerating heaters



The tubular vent condenser with its many small tubes, formerly mounted on top of the deaerating heater shell, is replaced by the inlet spray unit and vent collecting hood located inside the shell. Saves maintenance, saves headroom, makes a better installation.

The distinguishing mark of any new important station is apt to be the newest type Elliott deaerating feedwater heater mounted upon its storage tank, silhouetted against the sky.

In these new type Elliott deaerating heaters, the tubular vent condenser is replaced with an inlet spray unit and vent collecting hood which normally require no maintenance. Trays, formerly of heavy cast iron, are now of fabricated stainless-steel — light and corrosion-proof. Non-corrodible materials are used everywhere undeaerated water contacts the metal. All in all, the new unit is characteristically Elliott in conception, in engineering excellence, in performance. Bulletin N-16 gives full details. On request.

ELLIOTT Company
Deaerator and Heater Dept.
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Utilities Almanack

☿

JUNE

♄

5	T ^a	† National Gas and Petroleum Association of Canada begins convention, Niagara Falls, Ontario, Canada, 1952.
6	F	† National District Heating Association ends 4-day annual meeting, Skytop, Pa., 1952.
7	S ^a	† California Independent Telephone Association will hold annual convention, Los Angeles, Cal., June 19, 20, 1952.
8	S	† Canadian Gas Association begins convention, Quebec City, Quebec, Canada, 1952. ☺
9	M	† National Association of Electrical Distributors begins annual convention, Atlantic City, N. J., 1952.
10	T ^u	† Pacific Coast Gas Association begins commercial and industrial sales conference, Portland, Or., 1952.
11	W	† Pacific Coast Electrical Association begins annual convention, Coronado, Cal., 1952.
12	T ^h	† Michigan Electric Light Association will hold annual convention, Mackinac Island, Mich., June 22-25, 1952.
13	F	† Michigan Gas Association will hold annual meeting, Mackinac Island, Mich., June 23, 24, 1952.
14	S ^a	† American Society for Testing Materials will hold annual meeting, New York, N. Y., June 23-27, 1952. ☾
15	S	† American Society of Mechanical Engineers begins semiannual meeting, Cincinnati, Ohio, 1952.
16	M	† American Society of Civil Engineers begins convention, Denver, Colo., 1952. † International Gas Conference begins, Brussels, Belgium, 1952.
17	T ^u	† American Water Works Association, New Jersey Section, will hold summer outing, Martinsville, N. J., June 25, 1952.
18	W	† American Water Works Association, Pennsylvania Section, begins annual meeting, Erie, Pa., 1952.



Courtesy, Connecticut Light & Power Company

Private Hydro on the Housatonic

Vol. 2

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Public Utilities

FORTNIGHTLY

VOL. XLIX, No. 12



JUNE 5, 1952

The Janus State

An exclusive message from the chief executive of the nation's electric power utility organization, pointing up the soundness of industry planning to meet current and future emergency needs.

By GEORGE M. GADSBY*

PRESIDENT, EDISON ELECTRIC INSTITUTE

JANUS faced both ways — but he was made that way.

Washington faces both ways—and maybe it's made that way, too. Who did it? Note the following two-faced combinations:

We're in a national emergency: keep business as usual.

Guard against inflation: break through the wage-price stabilization line.

Limit unnecessary credit: revoke

*Also president of Utah Power & Light Company. See "Pages with the Editors."

the voluntary credit restriction on public ownership security issues.

Soak up private capital: use government funds for power projects even where investor capital is available.

Clean up corrupt departments: fire the investigator and the investigatee if the questionnaire becomes embarrassing.

Select competent men who have public confidence for the big job of direction: let 'em go if political or union boss pressure is too heavy.

PUBLIC UTILITIES FORTNIGHTLY

Too bad we don't know more about Janus. He was the only one of his kind in mythological history—and all we know is that he looked both ways at once!

He would have an interesting time today! Looking to the right he'd see the greatest expansion program ever undertaken by any one industry under a free economy system. To the left he would see the most extensive and ambitious program in Socialism as yet undertaken in the U. S. A.

Then if he stood on tiptoe and turned either face toward Europe and Asia he'd see the answer so far as industrial development and production are concerned, when this socialistic trend reaches its halfway station as in England, or its final destination as in Russia.

So much for Janus.

LET'S take a look at the power program. In 1951 there were some thin spots, but no serious shortages. People who have not been around long just don't know what the operator of the electric company working with men in the industrial plant can do.

One of the great advantages of the locally controlled utility is its flexibility. The "feds" need an order from Washington and a shortage administrator. Such an order was out in the Pacific Northwest and the enforcement officer ready, but the next day it rained! That saved that one!

Critical materials were a poser for a while—and still may be—but DPA got the facts and the correct picture of relativity and, when fully informed, agreed that without electricity there will be no production. An

JUNE 5, 1952

even allocation of critical materials among all types of industry won't do — electrical equipment may need twice its relative share on an industry/pound basis. One kilowatt born may cost 100 times its weight in critical materials which it will produce if born on time. Now with the settled the manufacturers should get the full allotments for making the heavy equipment required for the industry expansion program.

There has been, and I am convinced there will be, no holdback on the part of the companies.

With an over-all 2-year expansion in 1951 and 1952 estimated in a McGraw-Hill survey reported in *Electrical World* and *Business Week* of upwards of \$40 billion, the electric investor and locally financed industry lead all other types with a combined expansion budget of \$5.4 billion. Federal projects and federally financed co-operatives under approved authorizations will add about \$1.5 billion, making the total 2-year construction program \$6.9 billion for additional electric facilities.

Now DPA has just announced the country will need 32,000,000 more kilowatts in the 3-year period ending 1954. When it comes to tackling a job fit for the gods, Hercules takes the place of Janus.

Incidentally, he'll still find time for that clean-up job in the Augean Stables!

IN spite of obstacles, and every-fellow-for-himself attitudes, this country is again demonstrating its Gargantuan capacity for growth. In two years production capacity increases 16 per cent. Electric generat-

THE JANUS STATE

ing capacity, which was a little over 50,000,000 kilowatts at the end of World War II, will be more than double that by the end of 1954. It staggers the imagination to picture what could be accomplished if all at once pro-government, labor, capital, and management started pulling together for our country. No more government waste and selfish political maneuvering, no more crippling strikes to gain temporary advantages for limited groups, no more price gouging and debauching of political influencers and officeholders, no more Socialism—just good old U. S. A.! One for all, and all for one!

Well, I can dream, can't I?
Now don't get me wrong. I'm not even a pessimist.

It's a great, strong country and we in the electric industry have a lot to be happy about. For instance:

Expansion plans started over five and one-half years ago on a national basis—the eleventh semi-annual power survey of EEI's power survey committee—have been completed.

Investors believe in our industry and the future of a free enterprise system in America, so funds for the Great Expansion have been avail-

able in the various money markets.

The Congress has checked the pouring of taxpayers' money into a competitive system under national Socialism—not entirely stopped it, but slowed it down.

The back-breaking national debt and heavy taxation are awakening our people to the quick and certain bad results from governmental waste and bureaucratic controls.

Respect for the fundamentals of a government to serve and not to boss the people, and realization of the worth of our constitutional guaranties are again on the upgrade.

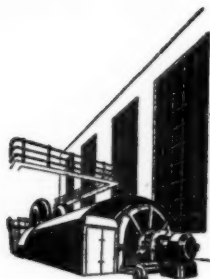
The inventive genius of a free people working in a profit system under normal competitive conditions will carry us to new heights of production.

Best of all, I believe the sordid disclosures of recent months have convinced our people we cannot live under a system that ignores basic honesty and the homely virtues which transcend material gains.

Perhaps we are on the threshold of a moral and spiritual awakening that will equip us to meet the responsibility of world leadership into which involuntarily we have been placed.

"THERE is no record that planning by government has ever raised living standards or provided freedom for any people. On the other hand, historical evidence clearly shows that it was not until the emergence of Capitalism that the living standards of the common people began to rise. It was Capitalism that emancipated men and women from slavery and extreme drudgery as well as provided opportunity for advancement in accordance with one's ability."

—Excerpt from "The New England Letter,"
published by The First National Bank of Boston.



The Battle for the Electric Power Program

Here is an account of how the material controls for the electric utility industry were created and set up and how they are working out. As a result of the organization and administration of DEPA policies, the objective of a Gargantuan power production increase has come definitely within view of government control and industry officials.

By JAMES F. FAIRMAN*

ADMINISTRATOR, DEFENSE ELECTRIC POWER ADMINISTRATION

THE invasion of Korea in June, 1950, found the power suppliers of the nation with a program for expanding generating capacity of the country by 17,000,000 kilowatts over the 3-year period 1950, '51, and '52.

In the months that followed, the size of the mobilization program became more definite, and, by the spring of 1951, a 27,000,000-kilowatt expansion of generating capacity was scheduled for 1951, '52, and '53. This increase of 10,000,000 kilowatts was the result of speeding up installations already planned, increasing the size of some of the units, and adding new projects.

The demand for materials rose rapidly as the nation began to rearm.

*For additional personal note, see "Pages with the Editors."

JUNE 5, 1952

Controls had been established in late 1950, giving the military and atomic energy programs first claim on materials. The rest of the economy operated on a free-market basis, subject initially merely to limitations on use based upon historical quantities. It soon became apparent, however, that the demand for critical materials was so much greater than the supply, that full-scale controls would be needed. Furthermore, the historical bases did not give sufficient materials to the programs that needed rapid expansion. So the decision was made to put the Controlled Materials Plan into effect, starting with the third quarter. In the case of electric power, we went on an allotment basis in the second quarter in order to get the greater quantities re-

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quired by the power expansion program.

ON April 16, 1951, the Defense Electric Power Administration requested from the Defense Production Administration the required amounts of steel, copper, and aluminum for electric utilities, to support the power expansion program during the third quarter. The various divisions of NPA asked for the necessary materials for the manufacturers supplying power equipment.

The totals for the two groups indicated that the direct requirements for the electric utilities and the requirements for major power equipment were approximately 10 per cent of the country's aluminum, 14 per cent of the copper, and 3 per cent of the steel.

For the third quarter 1951, DEPA asked for 40 per cent more aluminum, 20 per cent more copper, and 110 per cent more steel than electric utilities had actually used in the third quarter of 1950. The aluminum increase reflected the expanded transmission program and the steel was needed for the new generating plants which had to be started.

On May 14, 1951, DEPA received as its allotments for the third quarter, 43 per cent of the aluminum, 64 per cent of the copper, and 77 per cent of the steel requested. The cuts in allotments for the power equipment manufacturers were equally severe.

DEPA quickly assessed just what these cuts meant to electric utilities and found that they would result in the denial of material for several hundred important major projects and the starving of distribution systems.

To determine the effect on power

equipment, C. B. McManus, Administrator of DEPA, asked some of the leading manufacturers what the reduced allotments would mean in terms of actual production. The estimated loss in steam turbines was 400,000 kilowatts for one company, 300,000 kilowatts for another, and a third manufacturer reported he would be short 64 per cent of his material needs for the quarter.

ON transformers, one company estimated that shipments would be delayed from one to fourteen months; another said operations would be reduced 50 per cent; and a third manufacturer indicated he would be short 42 per cent on materials.

The story on switchgear was similar, with delays in deliveries estimated to range from two to twelve months.

The manufacturers were also quick to point out that it would be extremely difficult to make up any of these delays because their capacity was fully booked for months or years ahead.

Having assessed the damage that would be done, the facts were immediately laid before the top officials of the mobilization program. This began a struggle for recognition for the power program which was never really settled until March 22nd, this year, when a 3-year expansion goal of 32,000,000 kilowatts of new electric generating capacity was established. The story of that struggle is a story of misunderstanding, doubt, a power shortage, investigations, and final approval.

Some conception of the type of misunderstanding that existed can be gained from an article which appeared in the May 5, 1951, issue of *Business Week*, under the title of "How Much

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More Electricity?" This article purported to tell the philosophy of the Administrator of the Defense Production Administration who had just resigned. Concerning the Administrator, it said:

That from his point of view, power in plenty already exists for defense loads. It is being used for nondefense loads. It is silly under this reasoning to spend on more power the tremendous tonnage of steel, copper, and aluminum; the huge plant space and the highly skilled man power that modern power systems chew up through expansion. All you have to do is serve defense loads first and let civilians and nonessential industry live on what's left. People can burn candles.

THIS idea of meeting power shortages by curtailment of civilian use, persisted for some months and was never really laid to rest until it was necessary for DEPA to issue a power curtailment order for the Pacific Northwest in September, 1951. At that time, it was quickly brought home to the Defense Production Administration that power curtailment of any real significance in that area could only be accomplished on a practical basis by the interruption of vital defense production loads such as aluminum. The wide publicity given to a question which was raised as to the possibility of moving some of the aluminum plants out of

the Northwest served to focus national attention on the situation. At DEPA's request, the Defense Production Administration established a preferential system of industrial load curtailment. Fortunately, water conditions in the area later proved to be so much above average that the actual loss of aluminum production was less than it had been in some previous years.

Another example of misunderstanding is to be found in a staff appraisal which was made of the power program by the Defense Production Administration. In its evaluation it said:

It should be emphasized that the program as it stands is a projected one, not yet tested for feasibility. Material limitation and the restraint of limited capacity to produce heavy generating equipment need to be identified. To the extent such limitations stand in the way of accomplishment, the projects composing the program need to be re-evaluated in terms of relative urgency so that the less essential projects may be deferred while those essential to avoid impediment to defense mobilization are carried through to completion. All information on the supply side indicates the necessity of rescreening and rescheduling the program.

THIS statement illustrates the belief then prevailing that the power expansion program could be tailored to



QUOTE "The invasion of Korea in June, 1950, found the power suppliers of the nation with a program for expanding generating capacity of the country by 17,000,000 kilowatts over the 3-year period 1950, '51, and '52. In the months that followed, the size of the mobilization program became more definite, and, by the spring of 1951, a 27,000,000-kilowatt expansion of generating capacity was scheduled for 1951, '52, and '53."

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the available material supply and that it was composed of projects of various degrees of urgency. There was little recognition of the fact that power suppliers had to meet the needs of an area and had to meet deadlines that were established by their consumers. There was little recognition that in the "guns and butter" economy, electric power had to meet its total responsibilities, not just a portion of them.

It was DEPA's responsibility to explain to mobilization officials the real facts about the power program. We energetically began this task, but as in all situations involving misunderstanding, the process was a slow and tortuous one.

We tried facts. We pointed out that the power program had not been master-minded from Washington, but was, in effect, the combined judgment of the power suppliers of the country as to their actual needs. These power suppliers had no desire and no reason to overexpand. They were usually non-competitive, interconnected on a regional basis, and had a long-time record of supplying loads without over-expanding.

Our attention was called to the fact that at the start of World War II, the power expansion program had been cut back and loads had been carried successfully. We explained that at the time of World War II, the reserve capacity of utility systems was above 20 per cent; whereas, in 1950, the margin was only 7 per cent and the expectation was that if all the equipment planned for 1951 was installed on schedule, the margin at the end of the year would not exceed 7 per cent. Furthermore, in World War II, production of civilian

goods was drastically curtailed. In this mobilization, civilian use of electric service was increasing at the greatest rate in history.

We tried group education. Approximately 20 of the top officials of the Defense Production Administration and the National Production Authority met with the top people of the DEPA staff to hear a formal presentation of the needs of the power program. Actual experiences on load growth and on previous attempts at power curtailment were presented, together with a regional analysis of the power needs of the country. Those present were shown how, prior to Korea, the United States was using about 6 billion kilowatt hours a week, and how, within a few months after Korea, the country needed 7 billion kilowatt hours a week; how the power load by December, 1950, had shot up nearly 14 per cent over December the year before—the greatest increase in peak load in one year in the history of our industry. It was explained that the lead time in steam plants was approximately three years, and, in large hydroelectric plants, up to five and six years. Failure to allocate sufficient materials would not immediately show up in power shortages but would create long-term problems which would be seriously detrimental to the mobilization program.

The results of this meeting were discouraging. The comments indicated that doubt still existed as to the need for all the power expansion that was planned. The general feeling seemed to be that the electric utilities were trying to take advantage of the situation to get a lot of new capacity. Some



The Need for More Power Reserves

“WHILE the proposed atomic energy expansion is spectacular, there are other types of military programs which could produce large power demands on comparatively short notice. We will need to improve substantially our reserve position before we can feel fully confident of our ability to meet such unexpected loads. The power suppliers of this country have carried the loads of this mobilization program on a nearly 100 per cent basis to date. It is imperative that this record be maintained.”

seemed to think that we were asking for much more than we needed, feeling that by this process we would get materials for what we actually needed.

We tried personal contact. The DEPA staff worked through the regular channels. An industry committee consisting of Gordon Clapp, chairman of the board of TVA; Walker Cisler, now president of Detroit Edison; J. W. McAfee, president of Union Electric; and Philip Sporn, president of American Gas & Electric, called on the top mobilization officials to urge an immediate increase in the third-quarter allotments and a realistic appraisal of the power program.

THE Electric Utility Defense Advisory Council, which has always been ready to help when needed, re-

sponded to an emergency call by C. B. McManus, and, after discussion of the situation, presented the facts to Charles E. Wilson.

As a result of all this activity, DEPA's third-quarter allotment of aluminum was increased a little over 50 per cent, steel about 10 per cent, copper about 3 per cent. Increases were also granted for the manufacturers of power equipment. It was apparent, however, from staff discussions that little progress had been made in establishing an acceptance of the power program.

IT should be recognized that the Defense Production Administration at this time was confronted with some very serious problems. Requests were being received for quantities of ma-

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materials which were far above the available supply, so a screening job had to be done. Many industries did not know their requirements nearly as accurately as the electric utilities. Some industries were not represented by claimant agencies as fully organized as DEPA. What was going on was that the power program was being included with other industries and cuts were made across the board because all the requests were considered to be inflated. It was the policy to supply the real needs of the military and atomic energy program. At the same time, it was considered important not to reduce civilian production below certain levels. In the middle were the defense-supporting industries such as electric power, petroleum, transportation, mining, et cetera. It was difficult to decide which of these was the more important, so all were cut down to meet the available supply.

IN addition, there were serious problems in getting CMP promptly on a working basis. The failure of CMP to work effectively in the third quarter was very costly to electric power producers. The most serious effect was the delay in production of power equipment caused by the failure of manufacturers to get substantial quantities of materials for which they had tickets. A serious situation also developed on third-quarter structural steel. The utilities in Pittsburgh and Cleveland found that they would get only 100 tons out of allotments of 1,900 and 2,000 tons, respectively, for the third quarter. Milwaukee reported that it would receive no third-quarter steel. On August 21st, we wrote the Administrator of Defense Production Administration, in part, as follows:

I am sure you will agree that when a condition exists that will cripple the electric power supply in the industrial centers such as Pittsburgh, Cleveland, and Milwaukee, the time has arrived for consideration of the problem at the top level of the defense mobilization agencies.

As a result of that letter and the meeting which followed with industry representatives and with the Munitions Board, the Defense Production Administration established special expediting assistance on structural steel for electric utilities. This proved to be effective for the fourth quarter, but too late to change the third-quarter situation substantially. In the end, power suppliers got delayed deliveries on thousands of tons of structural steel, and, as a result, important power plants originally scheduled to be in service in December, 1952, will be delayed until the spring of 1953. DEPA's fourth-quarter allotments, while somewhat better than the third quarter, were still far from satisfactory.

ABOUT this time, DEPA began an educational program which appears to have been quite effective. At our request, illustrated nontechnical booklets were prepared showing the manufacturing processes and the lead time involved in the manufacture of a steam turbine generator, a boiler, and a power transformer. Similar booklets were obtained showing the field construction and the lead time involved in building a steam power plant, a major transmission line, and a hydroelectric project. These booklets were sent at intervals to approximately 100 top officials of the mobilization agencies. They served to point up the complex nature of power construction and the need to

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do things many months before the power was actually required.

ON September 17th, DEPA issued Order EO-4 to control the use of electricity in all of the state of Washington, in portions of northern and western Oregon, northern Idaho, and western Montana.

In September, the Administrator of DPA made a speech in Washington, D. C., in which he stated that he had serious doubts about the necessity for the projected 40 per cent increase in electric generating capacity over a 3-year period when the increase in our national product over the same period was expected to be only 20 per cent.

We promptly explained this need for electric power in a fully documented letter showing, among other things, that growth in electric power consumption since 1922 has been 3.6 times as much as the physical increase in the gross national product. Our letter concluded with this statement:

Since we feel that the electric power program is in grave danger and since we are mindful of the implications of that danger on the rest of the industrial economy, we would like to have your assurance that the type of comparison that you have made and which we have shown to be invalid, will not be used as a policy basis for the first quarter 1952 Program Determinations.



"TODAY the power program is operating in an atmosphere where there is a determination to try to break all the bottle-necks that interfere with full production. The Defense Production Administration and the National Production Authority are providing the necessary assistance so that the 32,000,000-kilowatt program can be realized in the 3-year period."

THE structural steel delays, the Northwest power curtailment order, and the challenge on the 40-20 philosophy all served to indicate to the Defense Production Administration that it needed some impartial advice on the power expansion program. On October 3rd, the Defense Production Administrator appointed a committee consisting of Edward W. Morehouse, vice president of General Public Utilities Corporation, chairman; Ralph Booth of Jackson and Moreland, engineers; Herbert Marks, Washington attorney, who was formerly counsel to the Office of War Utilities, War Production Board; and G. O. Wessenauer, manager of power, Tennessee Valley Authority. The announcement of the appointment said:

The committee will inquire into the country's requirements for electric power and energy for defense and other purposes, and, after considering the present and future availability of resources to meet these demands, will soon recommend an electric power construction program for defense purposes.

This committee promptly received DEPA's assurance of full co-operation. During October, November, and December, this committee spent many days in thoroughly investigating the nation's power requirements. The DEPA staff worked very closely with

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them, holding more than 20 meetings throughout the country with power suppliers where load estimates were analyzed against standards developed by the committee.

On December 31st, the Morehouse Committee reported to DPA:

The 30,000,000 kilowatts of new capacity now planned by the electric systems of the country to meet these demands (including necessary minimum reserves) is not in the aggregate excessive. If anything, the total capacity is too small.

By this time, the attitude toward electric power expansion was rapidly changing. Charles E. Wilson, Director of Defense Mobilization, in a talk before the National Press Club in Washington on December 13th, stated as follows:

We are adding 40 per cent to our electric power output. Imagine this if you can: In a couple of years we will have almost half again as much power as the nation has been able to develop since the discovery of electricity. Power production is already 21.5 per cent above the level at the time of Korea.

FURTHER recognition of the importance of electric power came in the field of tax amortization. On January 14th, the Defense Production Administration announced revision and expansion of its system of priorities for processing applications for certificates of necessity for rapid tax amortization based on the importance of the production involved. Electric power-generating stations and transmission lines were included in this priority list for the first time.

About the same time that the Morehouse Committee was appointed, the

Joint Committee of the Congress on Defense Production, headed by Senator Maybank, ordered an investigation of the electric power program to determine its adequacy to support defense mobilization needs. DEPA immediately offered full co-operation. In addition to sources in the Federal government, this committee turned to the state regulatory commissions, the local and regional associations connected with the power industry, the publishers interested in the electric power field, the operating electric utility companies, and the industries using electricity in defense work.

ON January 15, 1952, the Maybank Committee reported:

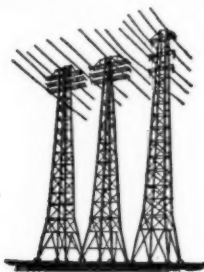
Three main problems dominate the field in considering the adequacy of electric power supply:

1. Widespread difficulties are being encountered in having allocation tickets honored.

2. Because of differences of opinion concerning the size of the expansion program required in this field, doubts are expressed by some as to whether sufficient allocations of materials are being made for increasing the electric power production capacity.

3. Coupled with the fact that manufacturing capacity for large steam turbine generators appears to be completely booked through 1953, every day lost in adequate planning now because of lack of appreciation of lead time as a factor means that for a large portion of the electric industry no net gain in productive capacity can be realized until 1954.

The committee's report further recommended that steps be taken to coordinate the power program, to obtain the proper allocations, and to furnish the necessary expediting help.



National Security Deserves Top Priority

“ALREADY steps have been taken by the mobilization agencies to establish control machinery which will protect the senior claimants such as military and atomic energy when decontrol occurs. Our concern is that if the power program does not also get some type of protection, we may find that as further steps of decontrol are taken, we shall be competing with less essential needs in the rest of the economy for materials for electric power, and we may find that on a number of very important items we will have serious delays.”

ON January 22nd, DEPA's comments on the Morehouse report were sent to the Defense Production Administration. We concurred in the committee's conclusion regarding the size of the program but expressed our concern as to whether it would be possible to achieve the 30,000,000-kilowatt expansion of additional capacity by 1954.

We said achievement of this program will require:

1. Additional materials even beyond amounts previously asked especially by NPA industry divisions concerned with power equipment.
2. Vigorous follow-through by NPA to channel materials and to correlate components and other items of power equipment with delivery dates of strategic items of heavy power equipment.
3. Additional aids to electric utilities called upon to install additional

capacity in areas of expected new loads.

In addition, we pointed out that allocations for the first quarter of 1952 were not sufficient to keep the power program on schedule, and that while allocations for the second quarter of 1952 showed an improvement, they were not adequate.

On February 1st, we gave the Defense Production Administration our views on the Maybank report. We concurred with the committee's desire for concrete recognition of the importance of the electric power program to make sure that the nation would get the power it needs in sufficient quantities. On the subject of co-ordination of material allotments, we suggested that the requirements of the power sections of four NPA industry divisions, and

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DEPA, be fully met when allotments are made.

ON the subject of expediting, we pointed out that the National Production Authority was setting up a special group to correlate deliveries of certain items of power equipment. We expressed the opinion that this was a worth-while step in carrying out the committee's ideas.

Regarding over-all co-ordination, we suggested setting up a permanent committee under which DEPA, DPA, and NPA jointly would guide the power program.

On March 22nd, DPA announced the approval of an expansion goal of 32,000,000 kilowatts of new electric generating capacity by the end of 1954 for class I utilities. In making the official announcement, it was stated that "The goal was necessary to meet the rapidly increasing demands of the defense program and, simultaneously, to maintain an adequate supply of electric power for civilian uses."

On April 7th, DPA announced the formation of the Electric Power Co-ordinating Committee with the Administrator of DEPA as chairman, and with the Deputy Administrator of the National Production Authority, and the director of the construction division of DPA as the other members.

There was an immediate need to report on the current status of the program, so on April 16th the Electric Power Co-ordinating Committee reported that

1. The latest estimate of power supply for December, 1952, shows a margin slightly less than the margin indicated by the study made last December.

2. Most of the new generating ca-

capacity for 1952 is scheduled to go into operation in the last half of the year—28 per cent of the entire program scheduled for the third quarter, 46 per cent for the fourth quarter. Slippages of a few weeks on some of these installations would mean that hundreds of thousands of kilowatts would not be available to meet December loads.

3. The 1952 demands upon the factories manufacturing heavy power equipment will far exceed actual production in 1951. Reports indicate that 83 per cent more generating capacity, 133 per cent more boiler capacity, and 37 per cent more transformer capacity are scheduled for production in 1952, compared with actual shipments in 1951.

4. When the information for the March 15, 1952, power supply estimate was collected from the electric utilities, it was found that the estimate of new generating capacity available to meet December, 1952, loads had been reduced by 830,000 kilowatts. This reduction had taken place in the period from December 13, 1951, when the last national survey was made. This reduction is due primarily to factory slippages which have been confirmed to the utilities.

5. DEPA has completed an investigation of probable new generating additions during 1952. While this study must still be regarded as preliminary, it indicates 38 units originally scheduled for the latter part of 1952 may not go into service until the early part of 1953. These units represent a total capacity of 2,950,000 kilowatts. The major cause of the slippage is the delay which the manufacturers have experienced in securing materials.

TODAY the power program is operating in an atmosphere where there is a determination to try to break all the bottlenecks that interfere with full production. The Defense Production Administration and the National Production Authority are providing

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the necessary assistance so that the 32,000,000-kilowatt program can be realized in the 3-year period. Allotments to the power program have been increased and manufacturers are being given larger advance allotments so that factory production can be scheduled over longer periods of time.

Meanwhile, the total picture on material requirements has substantially changed. In the first quarter of this year, the demand for structural steel was 186 per cent of the supply. This dropped to 155 per cent for the third quarter. The demand for steel plate in the first quarter was 176 per cent of the supply, compared with 144 per cent in the third quarter. The demand for copper dropped from 155 per cent in the first quarter to 141 per cent in the third quarter. The demand for aluminum was 150 per cent of supply in the first quarter, and dropped to 128 per cent in the third quarter.

THE changes in the supply and demand picture have given rise to some moves toward decontrol which have been very disturbing to those of us who have fought so hard to get recognition for the power program and to develop a material supply situation which would permit the program to be carried out. We were very glad to note that on April 1st, the Defense Production Administrator, speaking at At-

lantic City, said: "We still must travel a long road before we reach the desirable stage of rapid decontrol."

We certainly agree with that statement. Just because people are getting orders filled under CMP does not mean the emergency is over. It means that CMP is working.

ALREADY steps have been taken by the mobilization agencies to establish control machinery which will protect the senior claimants such as military and atomic energy when decontrol occurs. Our concern is that if the power program does not also get some type of protection, we may find that as further steps of decontrol are taken, we shall be competing with less essential needs in the rest of the economy for materials for electric power, and we may find that on a number of very important items we will have serious delays.

Another reason why DEPA is urging a very cautious approach to decontrol is the proposed atomic energy program expansion. If this is approved, it will involve a number of new installations with very large power requirements. On April 11th, this year, the Atomic Energy Commission made a public announcement regarding one of these plants which it estimated would require 1,800,000 kilowatts of electric power. If this program ma-



Q "FURTHER recognition of the importance of electric power came in the field of tax amortization. On January 14th, the Defense Production Administration announced revision and expansion of its system of priorities for processing applications for certificates of necessity for rapid tax amortization based on the importance of the production involved."

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materializes, the power expansion goal for the next three years may be set higher than the 32,000,000 kilowatts. The result may also be to delay until 1955 a number of plant expansions now scheduled for certain regions for 1954. The atomic energy program competes with the power program for materials and equipment in a number of very important categories. It is going to require very careful handling of the needs of both programs to insure that requirements are met on schedule.

WHILE the proposed atomic energy expansion is spectacular, there are other types of military programs which could produce large power demands on comparatively short notice. We will need to improve substantially

our reserve position before we can feel fully confident of our ability to meet such unexpected loads.

The power suppliers of this country have carried the loads of this mobilization program on a nearly 100 per cent basis to date. It is imperative that this record be maintained. This means that every effort must be made to maintain the present schedule for capacity additions. Even assuming a smooth flow of materials, this is going to require the utmost resourcefulness on the part of the power suppliers and extraordinary production by manufacturers of power equipment. DEPA will endeavor within the scope of its responsibilities to try to provide all possible assistance so that power expansion goals can be met.

EEI 1952 CONVENTION TIMETABLE, CLEVELAND, OHIO

Sunday, June 1st

2:00 p.m. Registration, lobbies of Cleveland and Statler hotels (till 5 p.m.).

Monday, June 2nd

8:30 a.m. Registration, lobbies of Cleveland and Statler Hotels (till noon); Cleveland Public Auditorium (till 5 p.m.).
2:00 p.m. First General Session, Music Hall, Cleveland Public Auditorium.

Tuesday, June 3rd

8:30 a.m. Registration, lobbies of Cleveland and Statler hotels (till 9:30 a.m.).
9:30 a.m. Second General Session, Music Hall, Cleveland Public Auditorium.
12:00 noon Ladies' Luncheon, Carter Hotel, Philco Corp., host.
2:00 p.m. Third General Session, Ballroom, Cleveland Public Auditorium.
6:00 p.m. Buffet supper, to be held at three hotels, Edison Electric Institute, host. Serving times and places: 6:00 p.m., Rainbow Room, Carter Hotel; 6:30 p.m., Grand Ballroom, Statler Hotel; 7:00 p.m., Ballroom, Hollenden Hotel.
8:45 p.m. Formal presentation of Charles A. Coffin Award, Music Hall, Cleveland Public Auditorium.
9:15 p.m. Entertainment by Cleveland Orchestra, Music Hall, Cleveland Public Auditorium.
10:30 p.m. Dancing at Cleveland, Hollenden, and Statler hotels.

Wednesday, June 4th

8:30 a.m. Registration, Cleveland Public Auditorium (till 12 noon).
9:30 a.m. Fourth General Session, Music Hall, Cleveland Public Auditorium.



BENEFITS FROM RIVER DEVELOPMENT—WITHOUT Hitting the Public Pocketbook

A tax-paying river development in New York state's Genesee valley does, through private enterprise, the job of flood control, produces power for the farmer and city dweller, manufactures fertilizers and fungicides, and assists the farm homemaker and businessman in many ways, adding to the prosperity of the area. The story of this river development is impressively told in this article.

By ALEXANDER M. BEEBEE*

PRESIDENT, ROCHESTER GAS & ELECTRIC CORPORATION

EVERY year, particularly in the flood season, there is much talk about the necessity for river development on a massive scale. As the result, the public is apt to get the impression that the only progress made along this line has been done by government when, as a matter of actual fact, much work in the field of flood control, soil erosion, and river power development has been done in many states by business-managed, tax-paying public utilities.

It is probably our own fault that we have not kept the public sufficiently well informed, but I am glad to notice that recently there has been a revitalizing of the public information activities of the business-managed

utilities of the country. People are beginning to learn that these companies have long been doing many of the things which promoters of public power cite as benefits that can be achieved only through government operation.

THERE has been much distortion of the facts about flood control. Nobody opposes real flood control. The devastation and loss of life and property should be stopped at the earliest possible moment and the tax-paying electric power companies of the country are in favor of effective measures to accomplish this result. They do oppose, however, attempts to put the Federal government into the electric power business under the guise of flood control.

*For additional personal note, see, also, "Pages with the Editors."

BENEFITS FROM RIVER DEVELOPMENT

THE area served by our own company runs from Lake Ontario to the Pennsylvania state line and through it flows the Genesee river. We believe that through private enterprise, and without any burden on the taxpayer, we are already doing the good things which public power promoters glorify in the TVA, and at the same time are carrying more than our full share of the country's tax burden.

Development of the power resources of the Genesee river by our company includes such projects as the 133-foot RG&E dam at Caneadea, located about 75 miles southwest of Rochester. This dam impounds large quantities of water in the flood season, stores it, and then feeds it into the Genesee to help river flow when it is low.

The best plans for river control stress the importance of smaller dams located in the headwaters of large streams, rather than large power dams in the main channels. These help to hold back flood waters at the source and also aid in preventing soil erosion and the depositing of silt behind the larger dams. Rochester Gas & Electric has two dams in Wiscoy Creek, a tributary of the Genesee river, which help in this regard. All of these dams were built without cost to the taxpayers.

The dam at Court street in Rochester, which ponds water for daily peak electric loads, was also built with money provided by Rochester Gas & Electric. Incidentally, RG&E pays a substantial sum to New York state each year for the use of water which flows into the Genesee river at the Barge Canal crossing in Genesee Val-

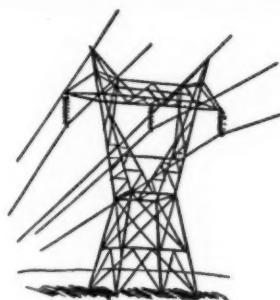
ley Park. The company likewise has a dam and storage pond between the two falls of the Genesee river in the city and develops power at both of the falls, which is made available to all our customers.

OUR company not only has made electric service available to all the farms in its territory, but at our gas plant we manufacture fertilizers and fungicide, which also helps the farmer. In addition, our company maintains a Farm Service Bureau with a trained staff to help the farmer with his problems and for which constructive work we won a national award.

Our company employs a trained staff of Home Service girls to help the homemaker stretch her household budget. We also maintain a staff of trained engineers to help industry use our electric, gas, and steam services to their best advantage.

We are proud that in the Genesee valley all this has been done by a business-managed, tax-paying utility. The investment savings of thousands of American citizens, many of whom live in our area and are our customers, as well as many of our employees, have furnished the necessary capital to do this, and the general public has not been taxed one penny for it.

Promoters of public power may say this is all true but argue that government operation could do it with lower rates for electricity. We could, too, at even lower rates, if we were relieved of the tax burden and other concessions which the government uses. We feel, however, that such is not real economy. It is deceptive and,



When Is Cheap Power Not Cheap?

“PRIVATE utilities do not oppose any power development that will really make available cheap power, but we do oppose the spending of taxpayers' money to build power facilities that appear cheap by escaping the tax burden that other enterprises must carry. Public power that is cheap only through the avoidance of taxes is not cheap.”

in the long run, provides no real benefit.

STEATMENTS by President Truman, which were read by Secretary of the Interior Chapman at the convention of the National Rural Electric Co-operative Association, illustrate the unsound economic reasoning that is so often used by advocates of public power.

One of President Truman's statements was: "I don't believe in government for special privilege. When electric power is produced with the people's money it ought to be used for the benefit of the people and not for the benefit of the private power companies."

The President says that he doesn't believe in special privilege, yet that is exactly what the government does when it gives preference in the sale of power to certain tax-free groups, such

as co-ops and municipal plants. If preference were given to tax-paying groups there might be some justification, but to give it to groups who avoid taxes is most unfair and is being used by public power promoters as a means of expanding their operations.

The President's statement that power shall not be produced for the "benefit" of private companies completely ignores the fact that private utilities operate under public service commission regulations which limit their earnings to the actual cost of service, with no "profit" as that word is generally understood. When private utilities receive power more economically from any source, the benefits flow to all and not to any privileged group. Under these conditions everyone will carry his fair share of taxes, with no tax loopholes nor special privilege and the customer

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is served at the lowest over-all cost.

Inasmuch as private utilities are regulated to a strict cost-of-service basis, where is there special tribute to anybody? Service is made available to all at the lowest possible cost of producing it. Nobody is discriminated against; nobody rides on the back of anybody else; and the public tax burden is not increased.

More important, however, is the fact that not only is there no duplication of facilities under such a program but in addition the people who are benefited are carrying the full cost of providing that benefit. If the private enterprise system is to continue in this country, this fundamental should be maintained. The tendency to burden others for the cost of benefits rather than the people benefited, especially in these times, can only lead to chaos and confusion and unsound and uneconomic development. Otherwise, it cannot help but perpetuate the "gimme gimme" attitude and the desire for "something for nothing" which has become so prominent in these times. Our economy which has been built on a "reward for effort" has produced the highest standard of living the world has ever seen. Let's not undermine the fundamentals by which this system exists.

PPRIVATE utilities do not oppose any power development that will really make available cheap power, but we do oppose the spending of taxpayers' money to build power facilities that appear cheap by escaping the tax burden that other enterprises must carry.

Public power that is cheap only through the avoidance of taxes is not

cheap. It is false economy to call such power "cheap," because taxes evaded in one place must be made up elsewhere by the taxpayers. Public power really boils down to glorified tax avoidance and there is no real benefit to anybody in such a policy.

Substantiation of the above can be readily shown in the case of the Niagara redevelopment program. The government claims that it will be able to make the power available to the people at much less cost (2.1 mills). Our combined companies' studies indicate we can make it available for 4.8 mills. This looks like a tremendous benefit to the consumer. Moreover, if you take the difference—2.7 mills—and multiply it by the 7.9 billion kilowatt hours which this development would produce, it would indicate an apparent saving to the consumer of something over \$21,000,000. However, this is a false illusion because in our operations we would be contributing something over \$23,000,000 in taxes. From this you can see that under government operation special privilege would be given to a group at the expense of others, and more particularly is it unfair and unjust when that special privilege is given to those who avoid their fair share of taxes.

IF the President wants to bring real benefit to the people he can do it much more effectively by cutting the cost of government rather than through lower electric rates, made possible only by avoidance of taxes. The average electric bill for the home is about fifteen cents per day while the average tax bill, due to high cost of government, is some thirty times that sum. It can readily

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be seen, therefore, that a 10 per cent reduction in taxes would pay for all the electricity used in all the homes in America three times over.

In these times when taxes lay such a heavy hand on every family, tax loopholes should be closed instead of being broadened. The present inability of New York city to balance its budget is a striking example of what happens when tax-paying enterprises become tax-free projects through government operation. The subway and bus lines, owned by the city, pay no taxes and have rolled up large deficits. The Long Island Railroad has received special consideration in tax relief. Not only the taxes which are avoided, but the deficits, must be made up by heavier taxes on real estate and on practically everything the average family uses in daily living. Unless this pattern of things is changed, the result will be complete financial chaos.

U. S. SENATOR Herbert Lehman of New York has made statements similar to President Truman's utterances regarding public power. He and Representative Franklin D. Roosevelt, Jr., are co-sponsors of a bill now before Congress which would put the United States government squarely into the power business on the Niagara river without the excuse of such collateral benefits as navigation, flood control, reclamation, irrigation, or sanitation, frequently given as reasons for putting the government into power projects. To date, all the power generated on the American side of the Niagara river has been produced by private enterprise, and five business-managed utilities, now

serving 90 per cent of New York state, have offered to develop the additional power at an expenditure of \$350,000,000 and without any cost to the taxpayer. If allowed to build this project, the five companies will pay some \$23,000,000 yearly in taxes over and above the \$160,000,000 which they now pay in local, state, and Federal taxes annually. Besides this they will pay more than \$5,000,000 per year for license fees to the state of New York for the use of the Niagara waters. So let's not be fooled by such statements as "Water power should not be turned over to private enterprise, to exploit it for private profit, instead of the benefit of the people to whom it belongs."

SENATOR Lehman says that government operation of the Niagara project is necessary for the preservation of the falls. The fact is that the preservation of the natural beauty of Niagara Falls is in the hands of an International Joint Commission, which will require the same remedial work to be done no matter who builds the power project—the Federal government, the state of New York, or the five utilities.

The difference is that if government does this work it will be paid for by the taxpayers, while if the five companies handle the project they will pay for the necessary remedial measures.

To summarize, therefore, under private operation the benefits would flow to all the people with no discrimination, no duplication of facilities, no tax loopholes, and, more important, the people benefited would carry the cost of serving them, and in addi-

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tion would carry their proportionate share of taxes, as well as receiving their electric power at the lowest possible cost. In the early stages of development of run-down areas such subsidy and special privilege as proposed by the government program may have had some justification, but under present conditions it would seem that the time when such should cease is *now*. It seems to me that it is vital in these times that the fundamental should be established that the people who benefit from programs of this type should carry the full costs of it as well as their fair share of taxes. Under private operation such is automatically achieved, whereas under government operation all these sound objectives are defeated.

CONGRESSMAN William Miller of Lockport and U. S. Senator Homer Capehart of Indiana are co-sponsors of the bill which would permit private enterprise to develop the additional Niagara power without use of public funds. In a television debate on this issue with Congressman Miller recently, Mr. Roosevelt declared that private enterprise in this case was merely private monopoly. I wonder what Mr. Roosevelt calls government in the power business, when it sets up authorities, such as TVA,

that are above the laws and regulations of local, state, or Federal bodies. Public power authorities of this kind favor some people and discriminate against others. They pay little in the way of taxes. Beginning as hydro projects, they soon encompass steam generation and build transmission lines.

As the result of allocation of costs, they can completely distort the actual cost of the electricity they sell and drive competing, tax-paying electric companies out of business. They can charge power costs to navigation or flood control and pass deficits along to the taxpayers. If that isn't the biggest monopoly this country presents today, then I don't know what monopoly is.

WE feel that the business-managed way of producing and distributing electricity, through private investment of the savings of many people, and with the companies paying their full share of taxes, while state regulatory bodies control rates to a strict cost-of-service basis so as to protect the public interest, is true democracy. Let us do all we can to preserve a system that has done so much to make this country great and to provide the highest standard of living in all the world.

Novel Stockholders' Notice from Florida Utility

SOMETHING new under the sun was the eye-opening notice issued last April for the annual stockholders' meeting of the Florida Power & Light Company—an attractive 3-colored, illustrated pamphlet carrying interesting facts about the service area. It also reprints items from national publications recognizing the company's accomplishments. Most unusual feature was a "personal membership" card entitling the individual stockholder to privileges of inspection, information, etc.



Trends in Federal Power Commission Regulation

An interesting and intimate review of what makes the wheels go round in the nation's top regulatory commission for interstate electric and gas utilities. Like all human machinery, it is not perfect, but the basic pattern is working out successfully and with co-operation and understanding may well become even more successful, notwithstanding the heavy case load now bulking the commission's dockets. Because these cases are mainly gas cases, the author must naturally deal with them as actual case material, but the underlying principles and procedures discussed are equally applicable to electric rate cases, if and when they develop under the Federal Power Act. Electric utility people may therefore, read with profit the practical advice and suggestions made on the general subject of regulation by the Federal Power Commission.

BY THE HONORABLE THOMAS C. BUCHANAN*

CHAIRMAN, FEDERAL POWER COMMISSION

IN this thirty-second year of the existence of the Federal Power Commission, emphasis is on the regulation of natural gas rates.

The Federal Power Commission has many varied and important duties. The emphasis tends to shift from time to time and a considerable part of this emphasis is beyond the control of the commission for much of the commission's work is initiated from without—by the filing of applications, etc. This inability to control the work load to any substantial degree occasions grave problems of administrative man-

agement, and, as a corollary, grave problems of protecting the public interest in an adequate and timely manner.

My reference to the shifting emphasis of the commission's work is particularly apropos at this time. For fifteen years or so the commission's activities were confined almost entirely to functions relating to the licensing of hydroelectric projects on waters subject to the jurisdiction of the Congress under the Federal Water Power Act of 1920, now Part I of the Federal Power Act. These activities were, and still are, vitally important governmental functions. It is unfor-

*For additional personal note, see also "Pages with the Editors."

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tunate that this phase of the commission's activities today is largely centered in the processing of applications. A large backlog of work in respect to other features of Part I of the act is growing bigger day by day and at some time in the future it will be necessary to concentrate thereon if the work is to be put on a reasonably current basis.

WHEN the Congress in 1935 gave the commission jurisdiction over electric utilities which, broadly and nontechnically speaking, are engaged in interstate commerce, emphasis was placed on overhauling electric utility accounts. The legislative history, including the Federal Trade Commission reports on its investigation of the utility industry, underlying the Federal Power Act of 1935 shows unmistakably that the commission was expected to perform major operations on the accounts of electric utilities which were about to be brought under its jurisdiction.

The commission lost no time in this endeavor. In a little less than a year after the Federal Power Act became law, the commission, through collaboration with the National Association of Railroad and Utilities Commissioners, prepared and adopted a new System of Accounts and thereby set in motion machinery designed to establish electric utility accounts on a sound and informative basis.

The results of this accounting reform are well known. Where once utility accounts and the financial statements dependent thereon were in poor repute, today they enjoy high standing.

This accounting reform, accom-

plished by the Federal Power Commission in collaboration with state regulatory agencies, has strengthened the financial structure of the electric utility industry and, in my opinion, has helped immeasurably in enabling the industry to finance, on very favorable terms, the postwar expansion, the largest in its history.

As has been remarked before, the ink was hardly dry on the President's signature to the Natural Gas Act when cities and states began to file complaints with the commission against the interstate wholesale rates of natural gas companies. The commission set about vigorously to investigate the complaints. It lost no time in examining the books, records, and operations of the companies whose rates were under protest and in rapid succession ordered rate reductions totaling many millions of dollars.

It required twenty years — from 1920 to 1940—for the Federal Water Power Act to become fully vitalized by a major Supreme Court decision—the famous New River Case (United States v. Appalachian Electric Power Co. 311 US 377).¹ In less than six years (from August, 1938, when the Natural Gas Act became law to January, 1944), the Natural Gas Act became vitalized by the Supreme Court decision in a case now recognized as a landmark in the history of regulation in this country, the Hope Case (Federal Power Commission v. Hope Nat. Gas Co. 320 US 591).²

In 1942 the Natural Gas Act was amended so as to provide the present requirements in respect to certificates

¹ 36 PUR NS 129.

² 51 PUR NS 193.

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of public convenience and necessity. This amendment occurred during World War II and, because of the then scarcity of materials, the burdens of administering it were not too great during the war period. Immediately after the war, however, the commission became swamped with applications to build long-distance, large-diameter, high-pressure natural gas pipelines.

It is doubtful if the most optimistic promoter foresaw the magnitude of the job ahead of the Federal Power Commission when Congress gave the commission certificating authority. In the decade, 1942 to 1952, there has been constructed a veritable network of natural gas pipelines serving almost every section of the country except the Northwest area. In this decade the commission has authorized 43,800 miles of interstate pipelines designed to add more than 16 billion cubic feet of daily delivery capacity and involving, with pertinent facilities, an investment of about \$3 billion. As a consequence the pipeline industry has more than doubled in the last ten years under authorizations of the Federal Power Commission. The certificate work of the commission, again largely beyond the commission's con-

trol, has shown very few signs of letting up.

Beginning a little more than a year ago natural gas companies began to file revised rate schedules with the commission providing for large increases in their rates. Prior to the fiscal year 1950, rate increase applications involved about \$1,000,000 a year. In the fiscal year 1950 (July 1, 1949, to June 30, 1950), the increases applied for amounted to about \$9,000,000, and in the fiscal year 1951 about \$22,000,000. During the current fiscal year 18 rate filings providing for total increases of about \$93,000,000 have been suspended. In addition, 6 requests for increases totaling \$48,808,000 were filed on April 30th and May 1st, but at this writing have not yet been acted upon by the commission. We are led to believe that between now and June 30th, the end of the current fiscal year, several more applications will likely be filed which will bring the total increases for the year beyond \$170,000,000. Increases in rates of approximately \$5,000,000 a month are being collected under bonds.

THIS unprecedented volume of work in respect to rate increases presents serious problems not only to



QUOTE *"THE Federal Power Commission has many varied and important duties. The emphasis tends to shift from time to time and a considerable part of this emphasis is beyond the control of the commission for much of the commission's work is initiated from without—by the filing of applications, etc. This inability to control the work load to any substantial degree occasions grave problems of administrative management, and, as a corollary, grave problems of protecting the public interest . . ."*

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the Federal Power Commission but to state regulatory bodies and distributing utilities as well. A large proportion of the consumers in this country are affected thereby. There is a genuine national interest in them. It is estimated that there are about 18,000,000 natural gas customers in this country with about 50,000,000 people in their households. It probably would not be a bad guess to say that before the current fiscal year is ended as much as 40 per cent of them may be affected by pending natural gas rate proceedings before the Federal Power Commission. It is important, therefore, that the commission discharge its rate duties efficiently and competently.

But there are great obstacles which impede progress in this field. Because of the widespread effect of increases in natural gas pipeline rates, discussion of some of these obstacles—some of the difficult problems which must be solved if regulation is to be effective and reasonably up to date—may be of interest.

The reasons given for the increase in natural gas rates may be classified, in the main, in three categories: (1) inflation, (2) taxes, and (3) price of gas in the field. The increase in the general price level in recent years is reflected in the higher cost of constructing pipeline facilities and in operating costs as well. The increase in taxes, particularly corporate income and surtaxes, has added measurably to operating costs. The increase in the price of gas in the field has been substantial.

WHEN the commission was engaged in a major effort to reduce

natural gas rates, the price of natural gas in the field was around 4 or 5 cents per MCF, whereas the current market is two or three times higher than the price which formerly prevailed.

It is a fact that there is less known gas available today in proportion to the market demand than existed several years ago, and with the tremendous increase in pipeline capacity which has taken place in recent years the seller's market appears destined to continue. With a largely expanded pipeline industry requiring more and more gas, and with less gas proportionately available, it is not likely that the influx of rate cases will suddenly cease.

NATURAL gas pipeline companies have one peculiar rate characteristic. I refer to what has been called the "chain reaction" of rate increases. The industry is so organized that many pipeline companies sell to other pipelines, hence a rate increase by the first may result in an application for an increase by the second and sometimes a third, and so on down the line to the local distribution company. To resort to an example, Tennessee Gas Transmission Company filed for an increase in rates of about \$18,000,000. Tennessee, among other things, sells to United Fuel Gas Company which, in turn, sells to Atlantic Seaboard Corporation, which, in turn, sells to Washington Gas Light Company. All companies in the series applied for rate increases based upon Tennessee's action.

It will readily be recognized that this chain reaction multiplies the commission's work load.



Delaying Rate Case Procedure

"COMPANIES seeking rate increases from the commission have often resorted to a practice which results in long delays in concluding such rate proceedings. I refer here to the practice of basing rate revisions on estimates of conditions which will not prevail until some time, frequently a long time, in the future. When experience of the recent past, adjusted for known events, is departed from and estimates of the future are substituted in its place, we leave the solid ground of fact to enter a realm of speculation."

THE commission may suspend rate increases for a period of five months and then the utility may put the rates into effect under a bond. For many reasons, including the multiplicity of cases referred to above, coupled with a diminishing staff, the commission has not been able to dispose of many of the important rate proceedings within the 5-month period. In fact, in at least two instances where rate increases were put into effect under bonds, a second increase was likewise made effective under a bond before the first case had been decided by the commission.

The foregoing is not a healthy situation. Where rates are collected under a bond, difficulties in financing may arise, particularly where two increases in rates are pending before the commission. In addition, the bonding device is not a fully satisfactory means of protecting the public interest.

Where refunds are involved, difficulties and uncertainties attend diverse regulatory authority of different regulatory agencies which may be involved, and there are other difficulties and uncertainties as well as expenses in the distribution of excess charges which may well militate against the ultimate consumer. In any event, the bonding process is an expedient, probably the best that can be resorted to under the circumstances, but it is not the answer to expeditious determination of rate proceedings. At best, delays in rate proceedings result in inconvenience and confusion; at the worst, they may result in injustice to the utility or the consumer or perhaps to both.

IN addition to the chain reaction described above, difficulties are encountered in expediting rate cases because of shortages in trained staff.

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This is brought about by severe budget limitations and also by voluntary separations from our organization because of the demand for skilled technicians in the industry, together with the ability to pay, which now exists. It is a somewhat unhappy commentary that some of the experts who now present cases for regulated utility companies were trained at the Federal Power Commission and were once valued members of our staff. The difficulties of keeping competent men in the government service are too well known to justify elaboration here. Suffice it to say at this point that a well-trained staff will pay its way many times over through aiding in the expeditious development of the kind of record on which the commission may make sound and intelligent decisions.

COMPANIES seeking rate increases from the commission have often resorted to a practice which results in long delays in concluding such rate proceedings. I refer here to the practice of basing rate revisions on estimates of conditions which will not prevail until some time, frequently a long time, in the future. When experience of the recent past, adjusted for known events, is departed from and estimates of the future are substituted in its place, we leave the solid ground of fact to enter a realm of speculation. It is a tremendous, time-consuming task for the staff to verify estimates extending long into the future. The best test is to await some experience of the predicted conditions. Where we have done this we have often found estimates to be wrong in a material amount.

Now I recognize that in some instances estimates of the future are probably unavoidable. Where a practically new venture is launched, estimates must be resorted to. But more and more as the large pipeline companies get experience behind them we should use that experience, adjusted for known events, such as changes in the tax laws, increases in labor rates, increases in the price of gas, etc., and rely less and less upon the estimate of things which may or may not happen.

I BELIEVE the time has about arrived when the commission must take a more critical attitude toward estimates which depart from recent experience. I know that some of the state commissions adhere to the view that they will not try to prognosticate what will happen in the future but will confine their attention largely to facts of the present in determining proper rates and charges. In the Hope Case the Court destroyed the necessity for resorting to estimates of reproduction cost. We must be careful not to be enticed into a similar unreal field in which other estimates represent the main basis for our regulatory action.

In many of our rate proceedings we have an allocation problem, that is the problem of allocating costs between the business which is subject to the commission's jurisdiction and that which is beyond the pale of its authority. This problem is an old one as far as state commissions are concerned. Students of regulatory procedures are thoroughly familiar with the discussions and tremendous effort over the years on the part of state commissions seeking a speedy and equitable solution of the allocation problem involved

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in the fixing of telephone rates. We made a substantial stride in the allocation process when we adopted the method of allocating annual costs, including return, instead of allocating physical facilities themselves, and were upheld in our action by the Supreme Court of the United States (*Colorado Interstate Gas Co. v. Federal Power Commission*, 324 US 581).³ Experience over the years, however, has demonstrated to me that further refinements should be developed in order to speed up this process and, at the same time, obtain an equitable and a legally sound answer.

EVERYONE who has had experience with allocation matters will agree with the Supreme Court in the Colorado Case that the allocation of cost is not an exact science. We find from the evidence in our proceedings that there is great diversity in the views of the experts who testify on this subject. Frequently, a great many pages of testimony which represent a greater amount of field work, are devoted to questions which are highly academic and where the result could change upon accidental circumstances. The commission is making progress in this area and while it has not reached a uniform treatment, such as

the method now generally in vogue in respect to the allocation of costs between intra- and interstate business in the telephone field, nevertheless I am hopeful of progress toward a simplified procedure which, as stated above, will achieve fully equitable and completely legal results.

Where requested increases in rates are based largely upon experience of the past, and where the allocation problem is not present, rate proceedings may be speeded up. The Tennessee Gas Transmission Case previously referred to was disposed of through the conference procedure, participated in by members of the commission's staff and representatives of all interveners just about the time the five months' suspension period expired. Certainly two things contributed toward this speedy settlement: (1) the fact that the rates were based upon experience of the past for eight months and estimates for only four months in the future which facilitated a speedy staff examination of the company's records and operations, and (2) the fact that no allocation problem was involved therein.

IT is quite apparent that some companies have filed for increases in rates before they were fully prepared to go forward and sustain the burden

³ 58 PUR NS 65.



Q "In 1949 the authorized employment of the commission was 835 and as of the first week in May, 1952, our actual man power is 694. In contrast to this man-power picture our work load, while shifting slightly in functional emphasis, has steadily risen. The heretofore high standard of FPC regulation will be difficult to maintain if this trend continues."

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of proof required by the Natural Gas Act. This is a very unsound and unjust practice. Whenever any public utility files for an increase in rates it should be prepared to go forward on the day of the filing to prove its case as required by law. There has been developing in the commission the view that a hearing should be held promptly after a utility files for an increase in rates, at which the utility must meet the burden of proof required by law, with a reasonable time allowed thereafter for a staff investigation. In this way the issues may be quickly defined. If the utility is unable to meet the burden, obviously the filing is at least premature and the proceeding should be disposed of quickly.

I cannot say too strongly that whenever a company, subject to regulation by the Federal Power Commission, files for an increase in rates it has the obligation of going forward at any time called upon by the commission and has the complete burden of proving that its proposal meets the legislative statutory standard of lowest reasonable rates. An immediate hearing would have the practical effect also of revealing at an early date the "water" or cushion that somehow seems to creep into most present-day rate filings. This would focus attention on the major issues and perhaps tend to lighten the burden of our overworked staff.

A FURTHER time consumer is the Administrative Procedure Act. I am not critical of that legislation but I merely point to the fact that the procedures provided for therein do take time. It is the practice of the commission to have hearings conducted by a

hearing examiner. After the conclusion of the hearing, time is allowed for briefs, then the examiner, after a study of the record, files his written decision.

Exceptions may be, and usually are, taken to this decision in rate cases and twenty days are allowed for the taking of such exceptions. In our important rate cases it is customary for the commission to hear oral argument on the exceptions. The commission then hands down its decision. A rehearing may be applied for within thirty days.

UNDER the foregoing procedures it is not normal for a final decision to be reached in rate cases within twelve months after the close of the hearings. In a recent case involving the District of Columbia area approximately fourteen months elapsed between the closing of the hearings and the final decision and in the meantime a further increase had been applied for. This, obviously, is too long a time to wait for an answer in important rate cases in which there is such widespread public interest.

The commission may, on a finding on the record that due and timely execution of its functions imperatively and unavoidably so require, have the record in the proceeding certified to it and make the initial decision itself, thus eliminating one step in the process. So far it has not been the practice to employ this short cut, although our substantive law, both the Federal Power Act and the Natural Gas Act, provides that the commission shall give rate increase cases preference over other questions pending before the commission and decide the

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same as expeditiously as possible. This is as it should be.

I HAVE cited the delays in reaching conclusions in rate cases chiefly for the purpose of showing that the commission is fully aware of its responsibilities under the law, and to give assurances that the problem of expediting rate cases is being studied seriously and with the hope that with the co-operation of natural gas companies, state commissions, and other interested parties, ways can be found to achieve this goal. It is important, however, that justice be not sacrificed to expediency. With an estimated 50,000,000 people affected by the prices of natural gas, it is important so far as our jurisdiction lies, and so far as

it is within our power, that we meet the objective of the law to achieve the lowest reasonable rates.

THESE are the major problems which confront the Federal Power Commission today as the writer views them. They are based, as can be readily noted, on one essential—man power to meet the work load. In 1949 the authorized employment of the commission was 835 and as of the first week in May, 1952, our actual man power is 694. In contrast to this manpower picture our work load, while shifting slightly in functional emphasis, has steadily risen. The heretofore high standard of FPC regulation will be difficult to maintain if this trend continues.

The Creeping Shadow of Socialism

"EXTRAVAGANCE and deficit spending always produce inflation and inflation always produces statism in one form or another, Socialism or Communism. The difference between Capitalism, Socialism, and Communism is one of principle. The difference between Socialism and Communism is one of degree. Socialism is the bridge over which Capitalism passes to Communism. Capitalism produces things for people to divide. Socialism divides the product of Capitalism until there is nothing left: then Communism takes over and chaos reigns.

"The politicians of this Republic have in recent years tried to teach our citizens to believe that our government is something to live on instead of under. It is that philosophy which has given impetus to the creeping shadow of Socialism. It is that philosophy which is accumulating the great public debt which will destroy public credit and produce inflation. It is our duty as citizens to tell our administrators of government at all levels, regardless of political label, that they must eliminate extravagance and live within the government's income. We must tell our public officials very forcefully that the way to cherish public credit is to avoid the accumulation of debt. That is plainly our duty."

—GEORGE E. STRINGFELLOW,
Vice President, Thomas A. Edison, Inc.



Industry and Education— Partners in Progress

Two years ago The Cleveland Electric Illuminating Company held its first College Faculty Seminar for industrial-educational understanding and co-operation. Last year, upon the success of its second meeting with the educators, the company decided to make these biennial get-togethers a part of its future business policy. This article tells why.

By F. E. VERDIN*

INDUSTRY and education — whether industry as a whole recognizes it or not—are playing on the same team. Together they constitute this country's most formidable defenses for democracy.

Industry provides the physical bulwark against aggression by foreign countries. Education provides the intellectual bulwark against infiltration by foreign ideologies.

To impair the functioning of either is to strike a blow at the heart of democracy.

As free society's most indispensable creative activities, industry and education have certain features in common: They face a common adversary in government encroachment, and they are striving to achieve the same goal—freedom to manage their enterprises without political interference.

In order to realize these hopes for the future, the respective needs of each must be fulfilled.

Education, especially private education, needs a steady source of financial support to replace the generous philanthropies of old which have been dried up by excessive taxes.

It also requires some additional incentive to further explore the technical and economic ramifications of American business in order that it can continue to turn out graduates who are up to date in their knowledge of business organization, methods, policies, and procedures.

Industry needs technical and top-management personnel to meet present and future rearmament demands for increased productivity and to more fully carry out its social responsibilities.

ON the theory that business can attain its objectives by helping education with its own problems, The

*Director of personnel, The Cleveland Electric Illuminating Company. See, also, "Pages with the Editors."

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Cleveland Electric Illuminating Company undertook to conduct seminars for college faculty members. Some twenty institutions from which most of our young college graduates have been recruited in the past were invited to send one or more representatives as guests of the company.

The company felt that by giving the professors a firsthand picture of how the electric utility business is operated, the caliber of its people, its tremendous expansion potential, and the broad field of opportunity which it offers, a big step would be taken toward the solution of mutual problems.

Education's Needs

EDUCATION has faced financial crises off and on throughout its history. The only difference between the past and the present is that changing events in the world, and particularly here at home, have turned the pinch into a precursor of more dreadful things to come — governmental control of our free institutions.

Wartime expansion of training and research facilities on the campuses of America temporarily relieved the strain on some of the hard-pressed little institutions and brought a false prosperity to some of the big ones.

Since that time, much has happened to affect adversely the finances of our colleges. The termination last summer of government-sponsored GI education and reinstitution of the draft cut sharply into student enrollments. Broad-scale research and training activities which characterized higher education during the years between 1942 and 1945 have not been

forthcoming with the present emergency.

Inflation has whittled away at the buying power of the dollar, reducing it by 46.1 per cent since 1939. Consequently, the real value of endowments has shrunk and interest rates have in no sense kept pace with rising prices.

It has never been possible for the average institution to ask tuition high enough to defray the actual cost of a college education. Now, with the cost higher than it has ever been before, the public continues to demand from \$8,000 to \$10,000 worth of college training for about half the price.

Good teachers are hard to get and even harder to hold against the competition of industry, which also bids for their services and in most cases offers better pay.

And to add insult to injury, the expanded physical plants which were needed to train and house the one-time college campus army no longer can be operated at full capacity. They add to the operating expenses of an institution without enhancing its income.

This is only a sampling of the deficits which education must meet. How shall they be met and who shall meet them?

Industry's Needs

EDUCATION has what industry needs. If it doesn't have it, and industry is willing to make clear exactly what it wants, the chances are pretty good that education certainly will make every effort to provide it.

Industry's greatest need is for personnel to man its tremendously expanding business operations—for the immediate and long-run futures.

INDUSTRY AND EDUCATION—PARTNERS IN PROGRESS

The business-managed electric utility companies alone are pressing to complete a \$15 billion postwar expansion program. Projecting the same rate of expansion through 1970, property and plant will be \$65 billion, three times today's \$22 billion, with annual sales of 800 billion kilowatt hours, exceeding the output of the world just two years ago.

The steel industry increased its capacity by 31 per cent over 1939 at the end of this year (1951), and oil has been stepped up 63 per cent during the past decade.

Both of these industries have aggressive expansion policies continuing into the more distant future and geared to meet the nation's demands for durable goods.

There are other pertinent facts which industry—especially the electric utilities—should make clear to education:

The average age of the top utility executive is near sixty, with something like 85 per cent fifty years of age or older. Thus the retirement rate during the coming fifteen years will be the highest in the business' history—and during its period of greatest expansion.

In addition to this obvious problem of executive replacement, there is another impelling reason why electric

companies must take a long, hard look at their plans for obtaining a future supply of high-grade man power:

Our business has become alarmingly complex during recent years. Spectacularly rising costs have given rise to new economic trends. Because of this cost factor, there is a need for maximum skill and ingenuity in design, construction, and operation of electric properties, in public relations, in selling, and in living with government regulation.

To manage our business successfully under these conditions requires high quality of employees at all levels.

Where are these men to come from?

How are they to be trained?

NATURALLY, industry has to pull its share of the load through better developed educational programs.

But for the most part, the raw material must come from our country's institutions of higher learning—the technical and liberal art colleges and universities.

Under present conditions, our institutions are not likely to be able to provide enough of either topnotch executive or specialist material.

Take, for example, the critical shortage of engineers which faces in-



Q "INDUSTRY and education—whether industry as a whole recognizes it or not—are playing on the same team. Together they constitute this country's most formidable defenses for democracy. Industry provides the physical bulwark against aggression by foreign countries. Education provides the intellectual bulwark against infiltration by foreign ideologies."

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dustry today. This is a problem which industry and education must attack together. Admittedly, there is no quick solution. It did not develop overnight and it cannot be solved overnight. But a close, continuing relationship between the two can minimize its present effect and prevent recurrence in the future.

Do Industry and Education Understand Each Other?

UNLESS conditions have changed rapidly and radically, the answer to that question is: No! Not in the manner which we would like them to. They have no clear idea of each other's problems. One does not always know what the other is trying to do, or what keeps him from doing it.

Industry's knowledge of education is too frequently based on "the way it was when I was in school."

Excepting the experts whose field of specialization happens to be business management or allied subjects, education's knowledge of industry—and the business world at large—is too frequently based on a part season of summer employment, or what has been read, overheard, or casually observed.

This is no foundation upon which to build a program of mutual aid and understanding.

What are the inaccuracies which exist in the minds of educators—and their students—about industry? And what conscientious effort has been made by industry as a whole to correct them?

Let's take the educators first.

Four years ago Opinion Research Corporation asked college instructors

of economics, history, sociology, and political science, and high school teachers of history, civics, and social studies, a number of questions designed to determine their knowledge of and attitude toward the profit-and-loss business system. Here are some of their answers:

Thirty-seven per cent said organized labor and 19 per cent said government had done the most to improve the living standards of Americans.

In answer to the question "Just as a rough guess, what per cent profit on invested capital would you say the average manufacturer makes in peacetime?" Five per cent of the social science teachers said over 50 per cent; 12 per cent guessed somewhere between 26 and 50 per cent; and 19 per cent estimated that the average profit was between 11 and 25 per cent.

Thirty-seven per cent expressed the belief that most top business executives were "interested only in profits."

Forty per cent announced themselves in favor of government ownership of electric light and power companies.

The following year, Opinion Research put similar questions to a representative sample of 381 college seniors. One in eight couldn't name a single distinguishing feature of free enterprise; one in every four took no stand whatever in favor of free enterprise; very few knew even remotely industry's percentage of profits on the sales dollar.

THIS is general information. Now let's be specific. What is the attitude of young graduates toward the electric utility business?

On the strength of surveys con-



More Youth Appeal for the Electric Utilities

"FAR too many young graduates hold unfavorable impressions about our business. They say that the electric companies do a poor job of recruiting, that opportunities for advancement are severely limited, that too few good executive development programs are available, that the industry as a whole is too much like Civil Service—oversecure and underpaid."

ducted by our company and others, we have good reason to believe that the electric industry has paid too little attention to college graduates and vice versa. The inevitable conclusion is that we just have not sold the utilities as good career employment.

FAR too many young graduates hold unfavorable impressions about our business. They say that the electric companies do a poor job of recruiting, that opportunities for advancement are severely limited, that too few good executive development programs are available, that the industry as a whole is too much like Civil Service—oversecure and underpaid.

As long ago as 1948, an EEI subcommittee came up with a list of recommendations to combat these poor impressions, the following among them:

1. Broaden distribution of printed factual material among colleges aimed

at reaching the prospective employee, and

2. Give more thoughtful attention to personal recruiting by company representatives on the college campuses.

These recommendations were fine at the time. They are still fine, provided the companies to which they then applied have incorporated them into a much broader program of industrial-educational relations. And some of them have.

Industry has been too long represented to too large a segment of the public as a grasping enterprise whose sole interest is self-aggrandizement.

This fallacy cannot be dispelled if we limit our contacts with and interests in education to a mad scramble for graduates at the end of each school year.

SINCE the EEI survey, some companies have recognized this fact and have made concrete efforts to get

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their programs on a continuous, long-term basis.

Whether the charges leveled against them were correct or incorrect, justified or unjustified, they have decided to do something constructive along this line.

This is what The Cleveland Electric Illuminating Company had in mind when it conceived and sponsored the first College Faculty Seminar in September, 1949, and repeated the program again in September, 1951, for forty visiting professors from 22 colleges and universities in eight states.

Our principal objectives were to understand and be understood, to give educators an opportunity to see for themselves a utility in operation, to solicit their views and present ours.

Appraisal of our success in achieving these objectives was made by the professors themselves in answers to questionnaires distributed at the close of our 1951 seminar.

Without exception, they felt that the meetings had been very worth while, and 70 per cent judged them to have been "of great value."

THE 3-day program consisted of speeches, panels, and discussion and question periods illustrated with movies, tours of company properties, and inspection trips to local industrial installations.

The breadth of information covered in the speeches and panel discussions can best be estimated from an enumeration of the speakers and their range of subjects:

President Elmer L. Lindseth, "Education for Management"; R. M. Besse, vice president and general counsel, "Government and the Elec-

tric Utility Business"; F. W. Brooks, director of rates and statistics, "Utility Rate Problems"; R. C. Hienton, general sales manager, "The Best Location in the Nation"; F. J. Ryan, assistant to the president, "What the Customer Expects of the Company"; D. E. Williams, assistant secretary, "What the Investor Expects of the Company"; and A. J. Paull, assistant director of personnel, "What the Employee Expects of the Company."

The author outlined the career opportunities that exist within an electric utility company.

CHAIRMEN of panel discussions were C. J. Beller, general superintendent of electrical operations and engineering, "Planning and Operating the Company's Electrical System"; A. A. Casey, general superintendent of steam power, "We Build a Power Plant"; H. T. Sealy, general superintendent of services, "Electric Service—Coal Pile to Customer."

The long-range benefits of such programs, if carried out on a national scale, might be summarized as follows:

To Education

1. Access to the information it needs about industry and commerce in order to do a better educational job.
2. Improved prospects for industrial co-operation and support to free itself from a growing dependency upon government.
3. Assured opportunity for its graduates in terms of good jobs and for its advanced students and professors in terms of fellowships and other special study and research grants.

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To Industry

1. A greatly improved relationship with college faculties and administrators which will aid in college recruiting.

2. An even flow of high-grade technicians and personnel potentially qualified for managerial and executive positions.

3. An improved atmosphere in which to effectuate business and social responsibilities for the welfare of home communities and the country at large, and

4. A searching, unbiased analysis of long-accepted business practices.

BENJAMIN FAIRLESS recently referred to the educational-industrial team idea in a rededication address at the College of Wooster, Wooster, Ohio:

Private business and private education have much in common. Both succeed or fail on their merits. Both must make ends meet in the conduct of their affairs. Both require freedom to attain maximum usefulness.

Their fortunes, he said, will be linked so closely in the next fifty years that only by pooling their forces can both survive.

Good educational relations is good business, however you take it.

Ike Is against Socialism for America

"In some things, particularly in our emphasis on legislation as a panacea, I think we have drifted too far to the so-called 'left' so that many Americans have a genuine fear about the future. In particular, we must not allow ourselves to travel the road that Great Britain apparently has been traveling. America is not the kind of country that needs Socialism. We can achieve whatever reforms we need without such a radical change in our own economic setup. There are people in this country, of course, who want to go clear over to the 'left.' I just don't agree that America's future lies in that direction. . . .

"There are times when government, acting for all the people, must intervene in the economic life of the country and use government aid to tide the people over in an emergency. But this is a far different thing from making it a permanent proposition or using wrongfully the idea of 'emergency' to install some kind of socialistic system or governmental paternalism.

"I do believe that there are occasions when the resources of the government can be used to assist the people. But I don't think you can discuss hypothetical situations any more precisely than in a generalization. You've got to be governed by a fundamental principle, and I'm sure that the principle of economic intervention when related to an emergency is a sound one; otherwise, as little intervention as feasible."

—DWIGHT D. EISENHOWER,
Excerpts from interview published in "U. S.
News & World Report."



After Employee Information— Then What?

Cold-blooded analysis of whether employee education is worth the effort and, if so, what the program entails.

By DONALD D. HOOVER*

*"So much one man can do
That does both act and know"*

—ANDREW MARVELL, 1620-1678

A GOOD deal has been said and written about giving employees of electric companies enough facts about their business so they can pass this information along to their families, friends, acquaintances, and the general public.

It is believed on the one hand that the employee is, potentially, an invaluable channel of communication that should be cultivated by providing inducements, education, and opportunities for both rank-and-file and key people in the employ of utility corporations to tell the story of the ac-

complishments and benefits of business-management in the field of electric service.

Many companies have embarked on informational programs of an economic or similar nature, and of varying degrees of intensity. The results, on a national scale, have been disappointing, as shown by the recent survey of Opinion Research, Inc. This indicated that 91 per cent of those interviewed had no recollection of ever having received information about the electric company from a utility employee.

This proportion, however, will differ substantially between companies. Central Surveys, Inc., has compared employees' statements regarding how much they discuss industry problems with the public, between companies

*For personal note, see "Pages with the Editors."

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which have carried on extensive employee information programs and companies which have done little in this field. In the latter group, nearly three times as many employees said they "never talk with other people" about such matters as valley authorities, public ownership, or company relations with local rural electric co-ops.

THERE are those, on the other hand, who question whether a company has a right to expect its employees to double in brass as a task force for the public relations department.

As one commentator writes (*Electrical World*, October 22, 1951), "Just why taking employment with a utility automatically makes one a roving ambassador of good will for the industry or company is never explained. . . . If the utilities want the public to understand their problems, the thing to do is to build up their public relations departments, hire competent public relations experts, and give them freedom of operation and ample funds."

There is only one way this question can be resolved, it seems to me. It lies in the direction we have consistently followed in the electric companies' Public Information Program (PIP): Information designed for the use of employees *must* be selected and patterned to fit the worker's conception of what benefits him and his job, especially what makes that job easier, more secure, and more rewarding.

As stated by Leonard W. Trester of the General Outdoor Advertising Company and a director of the Chamber of Commerce of the United

States, "The job is to induce—in other words, to lead—our employee associates into teamwork, participation, understanding of the importance of their jobs by showing them—and convincing them—that these actions are in their own best self-interest to take voluntarily."

This point is too often missed, simply because the objective of the employee information program is either not clearly defined, or has an ulterior motive that management itself may not consciously recognize.

Ask yourself, for example, whether the end you visualize is really an informed employee body, or whether it is an attempt to inculcate a management point of view. And why in the world should the average employee be expected to adopt a management viewpoint? Let's consider ourselves fortunate that we can find enough points of reference between the company and its workers that a common system of communication and understanding may be established.

AN enormous opportunity awaits the enlightened utility company to bring about a receptive attitude on the part of the rank and file by pointing out where their real interests lie; and it emphasizes what those of us in the public relations field have long suspected; namely, that how you say it is often just as important as what you say. Facts must be tied to emotion in order to move people to action.

And where are those "real interests?"

"Next to family life," says a pamphlet of the Chamber of Commerce of the United States, "the majority of employees are more interested in the

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company for which they work than in any other subject. . . . The basic wants of most workers . . . are:

1. Security,
2. Opportunity to advance,
3. A feeling of belonging to a group, and
4. A belief that their work has real social and economic significance.

"All of these wants can be satisfied to some extent by a communications system which informs the worker about the company's present economic status, its plans for expansion, and which shows him the significant part he plays in this picture and how the end-products of his labor are used."

The "wants" referred to here may be regarded as the levers of Archimedes by which we can move a world that, perhaps, none of us has made, but whose only hope lies in the adjustment of what sometimes only appear to be conflicting aims.

Nevertheless, they are still only symbols unless we can make them mean something to the individual; and in order to do that, the individual must be induced to tell us what is really on his mind.

So we come to the important problem of two-way communication.

And what does this mean? Simply that we must give up some of the time that we have thought so essential to the job of informing and educating, and spend more of it on just listening.

Employee opinion surveys are among the most effective ways of doing this, but there are many others, and none of them should be depended on completely. In New York city there was lately established a formal course in listening, attended by a score or more of business executives who recognized the value of restoring this almost lost art. Something similar might be done for your supervisory group, and I suspect it would pay handsome dividends over the long run. Most of us—who are not extroverts—need encouragement in expressing our ideas, and generally keep them to ourselves unless convinced that someone else considers them worth a hearing.

A receptive attitude should not be expected exclusively from those down the line.

THE materials and techniques of employee information programs have their own ample literature, and a great many companies today take justifiable pride in having their people grounded in the history, economics, and controversial aspects of their busi-



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ness (though many of them might have trouble defining a kilowatt hour or describing the function of a pole-top transformer).

But the direction of flow all too frequently stops at the information line.

ONE of the great corporations of the country—not in the utility business—once spent a large sum of money producing a motion picture of colossal Hollywood proportions, and only after it was completely finished and was being previewed by the company's board of directors did somebody think to ask, "What are we going to do with it?" No one had considered the problem of distribution—it was not found suitable for theatrical showing—and eventually almost the entire investment was written off, charged to experience.

Employee programs have something in common with this incident in the sense that they are apt to be regarded as ends in themselves, or at least it is assumed that the results will flow more or less automatically into the broad stream of community knowledge and in some way modify the current of social thought. Seldom if ever is an attempt made to trace the course of this influence.

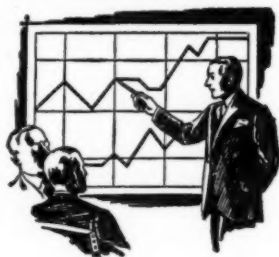
Now, I don't deny for a minute that the simple act of placing information in the hands of an employee; of making him aware of the factors that may affect the future of the company and thereby its ability to maintain him in his job; and of giving him the perspective to see how his own work fits into the general scheme of things, all have a value from the standpoint of employee morale and, perhaps, even operating efficiency. But they certain-

ly fall far short of the mark if we are considering the matter in the light of *public relations*. Again, this is borne out by the Opinion Research studies.

IT has been estimated that the average company employee is in a position to influence, directly, at least twenty others of his family and close acquaintances. Can we, therefore, take it for granted that he *will* influence them? Obviously not. Can we *bring it about* that he will make some effort in that direction? If the answer is yes, then we are in a position to open an entirely new field of scrutiny with limitless possibilities. Some companies already are beginning to sense the inherent opportunity. A very few have done something about it.

Often, they have done it only when there has been some particular situation at stake, such as a franchise election or threatening legislative action. Then the question arises to what extent it becomes proper for the company to permit its employees to propagandize on payroll time, which is paid for by all of the customers. Also to be considered is the difference between organized or directed action and that which, in its implementation, is of a purely voluntary character.

A good case history—several others could be cited—is that of the Central Hudson Gas & Electric Corporation, which has resolved some of these questions in a simple and effective fashion. Central Hudson, as is well known, is one of five companies in New York state which have offered to "redevelop" the power potential of the Niagara river in direct opposition to state or Federal construction and operation. Because the issues are so



Cultivating the Seed

"It is one thing to disseminate information to employees. In most, if not all, companies this process has been brought to a fairly high state of development. But it is quite another thing to make it bear fruit—to make EMPLOYEE information play its essential rôle in PUBLIC information. Otherwise we are simply going through the motions of scattering sterile seed."

clear cut—there being no "multipurpose" factors involved—those on both sides of the public power controversy are watching with keen attention the course of the debate on this subject.

IT was the idea of President Ernest R. Acker that a call for volunteers to help in organizing a speakers' bureau would provide a nucleus of trained spokesmen capable of presenting the story before civic organizations and other groups of interested citizens. Mr. Acker wrote an individually addressed letter, with a return card, to each employee. The response was surprising even to the most optimistic: 5 per cent of all employees offered their services for training, and for speaking engagements *on their own time*, without any other reward than the recognition of an act performed beyond the call of duty.

JUNE 5, 1952

I do not believe this is anything extraordinary; under similar circumstances, it could be matched in almost any company. But I am convinced it demonstrates the existence of a latent motivation that has not been sufficiently recognized in most employee programs: *the need to be needed*. It has been said by students of the causes of World War II that this was the secret of Hitler's power within his own country. German youth had come to feel there was no longer any place for them in the future of that nation, until there arose a man—a fanatic—who told them "I offer you nothing but suffering, starvation, and death; but I offer you this: Germany needs you."

In my opinion, it does not require a national crisis, nor indeed a crisis of any kind, to evoke a reasoned need and the answer to go with it. But the need must be spelled out, the encour-

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agement given, and the recognition expressed in appropriate terms.

THE Washington Water Power Company—to cite another case history—conducts a continuing “Better Service” campaign. Its employees are encouraged to participate in civic activities and to broaden their acquaintance in every community the company serves. Says a recent *Supervisor's Letter*, “The friendly employee not only helps himself through such contacts, but these contacts reflect upon his job and the security of his company in the community.”

The company supplies slide films and other adjuncts of a group program, and a monthly award is given to the employee who makes the most effective use of the facilities afforded.

Both of these instances illustrate what I mean by going “beyond the information line.” In fact, I would like to argue for a new name—or at least a name for a second step—in employee programs; *i. e.*,

Part I. Employee Information

Part II. Informed Employee Action

I believe we take too much for granted, and I definitely do not concur with the writer who states, “It goes almost without saying that if management can infuse employees with good attitudes and information, these will be reflected in that employee's family and friends.”

Infusion must be followed by diffusion.

There is no reluctance, I assure you, on the part of a man who feels that his job is at stake, who fears that the door of opportunity is closing, in expressing himself forcefully and con-

vincingly when and where he thinks it will do him the most good. This power for constructive action in the cause of public information exists in every company in which numbers are employed, just as surely as there are potential kilowatts in white water or in black coal.

Enlightened self-interest is a spur, as much to man as it is to management.

IF I were to set forth a plan to bridge the gap between information and action, it would include—but not necessarily end with—the following recommendations:

1. Set up an objective *at the beginning* of an information program. Clarify in your own mind exactly why you are undertaking such an activity and what you expect to gain by it.

Be sure your supervisors understand what you—and they—are driving at. Take all employees into your confidence; then they will see the significance of what you are trying to tell them.

2. Give your people opportunities to practice what they have learned. Put a premium on expression. Hire a speech instructor, so employees at least can practice on—and criticize—each other.

3. Make information easy to get at. That means promptly, completely, and frankly. Try to persuade your employees that there can be no such thing as an embarrassing question. Appoint an official “answerer” who is readily accessible by mail, phone, or visit; then publish or circulate the answers so that everybody will have the benefit.

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4. Encourage employees to be active in community life, and make this a real encouragement. In the first place, try to find out the group affiliation of every employee — fraternal, civic, social, cultural, sport, avocational, or religious. In the second place, back him up—within reasonable limitations. This might well include a day or two off to attend a state or national convention, or assistance in building up a program for a meeting or project.

5. Offer your employees something to do. Let them feel that what they are doing has a definite purpose with a practical aim that can be realized within an allotted time. It might pay you to conduct comparative opinion surveys on specific subjects so that employees may have a yardstick with

which to measure their progress.

EACH of these recommendations implies some degree of organization; intelligent organization is, indeed, the essential ingredient in channeling information in a way that it will reach the ultimate recipient. That is the payoff.

It is one thing to disseminate information to employees. In most, if not all, companies this process has been brought to a fairly high state of development. But it is quite another thing to make it bear fruit—to make *employee* information play its essential rôle in *public* information. Otherwise we are simply going through the motions of scattering sterile seed.

Employee information? By all means—but what now?

Federal Aid without Federal Control

“I HAVE a very definite theory that the Federal government's position on questions of welfare, education, and health and housing—all of those things are primarily local—in the Constitution they are for the state and local governments to do. And they have done them—they have done them on the basis of what you may call charity—they've done them on the basis of seeing that every family has enough food to live on—the minimum supply of food. They have done it through unemployment compensation or direct relief of all kinds to see that they have a minimum amount of food and clothing to maintain the family together.

“It seems to me there are certain requirements for Federal aid—perhaps I would be somewhat stricter myself than we have been in the past where we've been under pressure for the general movement to have Federal aid. I think Federal aid is justified in these fields under the general spending power, the general welfare clause, to spend money for those welfare purposes. . . . But a condition of Federal aid must be a complete absence of all Federal control.”

—ROBERT A. TAFT,

Excerpts from interview published in
“U. S. News & World Report.”



Is Public Regulation of Utilities in Jeopardy?

What is the end of the inflationary road for public utility rate making and those responsible for it? A sober plea for more emphasis on public relations to support the necessary decisions of regulatory authorities during a period of rising prices.

By FRANK C. SULLIVAN*

A FEW days ago, a leading public utility executive of my acquaintance confessed frankly that he is worried over the implications to be drawn from today's regulatory picture.

He did not mince words.

"After each rate decision, we find our net return driven lower and lower," he said. "We have just lost our high level credit rating—a designation not only of pride, but of practical worth to us for several years. Where's it all going to end? We do not like to be critical of the regulatory process or of regulators, but if we can't obtain an adequate net, we cannot induce capital to invest in our enterprise. If capital becomes coy, how can we finance extensions and improvements to serve a dynamically increasing population demanding service? And if we can't serve..."

He threw his hands up with an air of helpless resignation, left the

sentence unfinished and stared morosely out the window.

There was no necessity for him to proceed further since anyone familiar with today's conditions in the field of regulation could certainly find no flaw whatever in the faultless steps of his logic. Indeed, once admitting the validity of the premise, the *sequiturs* marched on to inescapable conclusions.

THE important point is that the concern he expressed cannot be limited to him alone.

If it were—there would be no occasion for this commentary, and the query which serves as its title would be both fatuous and absurd. Neither, however, is the case.

It is precisely because his concern is becoming rather widely shared, not only by various segments of utility management perplexed by the financing problem; but also by public utility regulators themselves and sundry objective thinkers—that his befuddle-

*For personal note, see "Pages with the Editors."

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ment over what is happening and his worry over what the future may present, is given pith and moment.

Just what is happening then? And what may be the end result if the present trend continues?

What are the definable causes leading to what appears to be an ever more constrictive grip upon utilities' net earnings?

Can they be segregated, analyzed, and, through analysis, clarified? If so, is there a remedy? And where does it lie?

All of these are fair questions and ones which require the best efforts of everyone to answer.

Perhaps it is possible to block out the major phases of the existing situation and explore each one separately.

If we can do that, then we shall have gone a long way toward understanding the malady which afflicts us and which—to restate our thesis—not only has placed regulation, as such, in jeopardy, but which, through such a threat, might portend grave consequences for the continued private ownership of the utilities themselves.

THE pattern is broad and contains many colors, but here are a few of the threads:

1. The constant cheapening of the dollar through inflation, resulting in depressing the living standards of large segments of the population.

2. The growing burden of the tax load which requires utilities to request \$2.20 in gross increase for every added dollar of net revenue. This, coupled with loss of dollar value, has spurred ratepayers to ever

more militant resistance to rate increases which cause,

- (a) Regulatory bodies to authorize net returns which tend toward lower areas of the "zone of reasonableness," resulting in

3. Repetitive rate increase applications due to the utilities experiencing,

- (a) Constant labor, price, and tax increases;

- (b) Serious time lags involved in the "due process" functioning of the regulatory process;

- (c) A rapid "slippage" downward of net earnings caused by failure of regulatory bodies to grant sufficiently adequate relief in the first place.

4. Failure of most—perhaps all—of the major utilities to recognize clearly at the beginning of the inflationary binge that the problem posed by higher rates and higher return was essentially as much of a public relations problem as a legal one, and, finally

5. This inability of the utilities to come to grips with the public relations challenge facing them, which left both the utilities and the regulatory bodies at the mercy of every articulate pressure group (of which there are many) and inevitably required the regulators to think in terms of narrowed earnings.

THE foregoing, in the proverbial nutshell, just about summarizes what has been and is happening, points up the underlying reasons for the earnings debilitation generally visible at present, and explains in far too brief a fashion why the utility industry has joined Hollywood in considering ulcers an occupational hazard.

In fine, the whole process of acquir-

IS PUBLIC REGULATION OF UTILITIES IN JEOPARDY?

ing what management and the investing public regard as suitable rates under regulation is beginning to resemble, with certain notable differences, the constant spiraling under way elsewhere in the economy—around, around, and up and up.

This might be all very well—and no one might be injured too badly, after all—if management could obtain adequate rates in time to maintain earnings at a reasonable level. But often it has become a “too little, too late” process which is beginning to baffle the investing public.

The investor is beginning to take his savings elsewhere for investment. Investment houses and counselors are looking askance at securities of those companies whose regulators constantly think in terms of the lower regions of that “zone of reasonableness,” or the minimum edges of the rate “zone.”

AN excellent analysis of utility requirements during the present epoch — together with anticipated problems—was given by Richard E. Mittelstaedt, president of the California Public Utilities Commission, in an address before the California Independent Telephone Association, at San Francisco, California, June 5, 1951.

An accurate student of the regulatory process, and an able thinker, he

portrayed the situation with clarity and vision, in the following words:

“The cost of the capital necessary to construct the utility facilities is determined independently of utility operation. Borrowed capital must be obtained from individuals and institutions with money to lend. The lender has a choice of investment.

“IN offering bonds for sale, utilities must compete with other segments of industry who likewise are seeking loans. The Federal government, which is perhaps the largest single borrower in the nation, has perhaps the greatest influence on the cost of borrowed money. Even so, the cost of money is not, under our present political conditions, susceptible of complete arbitrary control and the cost of such money is fixed principally by competitive conditions.

“The cost of equity capital provided by stockholders through purchase of stock or through retained earnings is subject to the same competitive factors applicable to borrowed money. Factors which define the precise cost are, however, less susceptible of exact determination. This situation has caused courts and commissions considerable difficulty for many years. *We are still seeking a method of fixing a level of return which investors, utility management, consumers, and regula-*



Q “*The preoccupation of utilities in the present inflationary era with insistent efforts to PROCEED SOLELY ON A PROCEDURAL AND LEGAL BASIS to accomplish their rate necessities, with their almost unbelievable neglect of the public relations problems involved, have largely brought us to our present pass today.*”

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tory bodies can agree is proper under the given circumstances. (Emphasis supplied.)

"As we look forward, it appears that we can anticipate that the expanding utility demands, which we have experienced almost continuously for the last seven or eight years, will continue for some years in the future.

"We can anticipate more and more difficulties in acquiring the necessary materials, and probably more difficulty in obtaining man power which will be required to supply these additional facilities.

"We can look for more intense competition for the investor's dollar, with the Federal government draining large amounts for war production.

"We can anticipate that the man power and materials which we do obtain will be at higher price levels than we have heretofore experienced.

"We can anticipate that taxes to support the expanding demands of our local political subdivisions, and the increasing proportion of our productivity that must be diverted to preparation for defense and war, will result in higher tax rates to which our utilities are subjected.

"We can anticipate increased pressures to divert vital facilities and equipment, scheduled for additions to our utility systems, to other demands which may or may not be of a more pressing nature.

"We can anticipate that, if these inflationary conditions continue to prevail, our utilities may be confronted with the necessity of seeking higher rates in the face of increasing opposi-

tion to such increases." (Emphasis supplied.)

THESE words of the President of the regulatory commission in one of our largest states ring with peculiar relevancy today—less than a year after he uttered them.

That he was prescient, no one can deny, for most of the conditions he anticipated have come about.

For example, as noted heretofore, Uncle Sam and other taxing agencies are still apparently insatiable in their tax demands—demands which are thoroughly inflationary in nature since the eventual consumer more often than not foots the final bill. The dollar, itself, both of the utility and the individual, buys less and less in the market; and, to requote the California commission president, "our utilities may be confronted with the necessity of seeking higher rates in the face of increasing opposition to such increases."

That the opposition has increased and is apparently continuing to increase seems to be set forth rather clearly in the record—at least in California, where the issues are perhaps drawn more sharply than in many other areas.

In California, many groups have had a field day in winning publicity for their abortive efforts to sidetrack several necessary rate increases—not only of utilities but of transit lines as well.

Yet, the noise they have made—and the high jinks they have created, such as obtaining names on petitions, organizing "Housewives' Leagues," sounding forth with bombastic fulminations from the witness stands in rate

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The Courage of the Regulatory Commissions

"REGULATORY bodies over the nation have authorized one rate increase after another in the postwar era—in the face of ever-increasing public and press opposition, even hostility. This fact, alone and of itself, testifies eloquently to the courage of the public officials who comprise such agencies, a point sometimes either completely overlooked or not given proper weight by utility management."

cases—all these undeniably have had some effect.

To repeat, ridiculous as they appeared at the moment, and immaterial and irrelevant as they were from the standpoint of competent evidence, there can be no question but that some effect—even though perhaps slight—has resulted from these vociferous efforts.

THE major accomplishment has been in the realm of publicity, which has served to stir up the householder generally, and thus may have had an impact upon other more lucid representatives of the citizenry as a whole.

Included among the latter have been city councils, boards of supervisors, farm and manufacturer groups, and similar bodies, several of whom undoubtedly may have been motivated by their own interests more than the over-all question of general welfare.

As a striking example of how the wind has been blowing regarding opposition to higher rates, agitation for

the appointment of a public defender to appear before the commission in opposition to such increases has recently been revived in California.

This suggestion was one of the major planks in the platform of a gubernatorial candidate who was defeated at the polls two years ago; but its revival today stems from California city government sources.

On several occasions the cities have banded together and engaged special counsel and rate engineers to appear as protestants before the commission. Of late, they have voiced the view, through executives of their representative body, the League of California Cities, that they are ill-equipped for such appearances, and inadequately financed. It might be better, they aver, to set up a public defender's office—separate and distinct from the regulatory body, to oppose utility rate increases "in the public interest."

OF course, one of the immediate difficulties which would patently be encountered in considering such a

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program would be to properly define "the public interest"—as between cities, let alone determining such an "interest" among groups—farmers, city man, manufacturer, merchant, northern California *versus* southern California, the San Joaquin valley *versus* the remainder of the state, and so on, *ad infinitum*.

It is plain that the words "the public interest" are all-inclusive and that only a state regulatory body can properly resolve all the disharmonies proceeding from specialized interests of many diverse kinds. But despite this quite apparent fact, the agitation continues—together with its inferential criticism of the rate relief actions of the regulatory body—and it would not be too surprising if the California state legislature received suggestions to provide such a "defender" at its regular session to begin next January.

Without pressing the point further, then, it can readily be understood why a regulatory agency, confronted with constant public clamor and pressure, some from extremely powerful community sources, would tend today to hold the reins tight on rates and net return.

Indeed, within the past few years the term "net return"—formerly reserved rather generally for usage by those engaged in regulatory work, by utility management, or financial groups—has become a phrase of ordinary, lay usage, emphasizing both the citizen's concern with, and understanding of, the earnings of utilities.

IN the newspaper pressroom, on the day the regulatory body issues a decision, the words "net return" are bandied about with an air of knowing-

ness rather startling to one whose recollection goes back to the days before the great inflation.

"What net did the commission allow?" is an immediate question.

"How much does that mean in gross revenues—in net after taxes?"

"What will the rate increase mean on the monthly bill of the consumer?"

"When did the company receive its last increase?"

"What dividend does it pay?"

And so on, and so on—questions which have a habit these days of developing factual points for newspaper stories directed toward the public at large—not financial page addicts.

Thus, the man in the street becomes aware that, as an example, a particular company has been allowed a net return of 5.6 per cent, as being "reasonable"; another, a return of 5.8 per cent; another, 6.1 per cent.

Does it not become pretty difficult for a regulatory body to depart from the 5.6 per cent next time, and authorize a return of, say, 5.9 per cent; or abandon the 5.8 per cent figure and authorize one of 6.3 per cent; the 6.1 per cent for 6.5 per cent?

The answer, of course, is an unqualified affirmative.

IT would seem that such a higher return would have to be based on exceedingly sound and easily grasped arguments, first, developed by the utility in appearing before the regulatory body; and second, by a commission desirous of affording a more realistic rate of return but faced with the problem of justifying the higher rate in the eyes of a public which, burdened by heavy taxes, suffering from a cheapened dollar, and propa-

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ganzed by opposing forces, has become hostile.

Such a public may accept with docility the facts of higher living costs elsewhere in the economy; mainly, perhaps, because an easily identifiable target for criticism is not always available—but newspaper policy which tends to “play up” rate increases is proof enough that in the utility field there exists a highly sensitive public reaction.

THE reaction—as far as a regulatory body is concerned—is made quite manifest, at times, in letters to the governor, the appointing power in most cases; and, as indicated heretofore, in the activities of either publicity-seeking city and county or special interest groups.

Whatever the source or intensity of opposition, it is both real and manifest to the regulatory agency, and it has had both a real and manifest effect upon the allowable rates of return in recent years.

It is because of this pressure, resulting in net earnings which are just barely in the so-called “zone of reasonableness” that utilities find themselves involved in repetitive rate increase applications.

And that fact, in itself, aside from any other evils which may flow from such net earnings (and there are several, to be discussed hereafter) is im-

portant enough to engage our serious attention at this point.

A FEW weeks ago, I enjoyed dinner at the Greater Los Angeles Press Club with two seasoned public relations chiefs of two of the larger California utilities.

On the problem of repetitive rate increase requests, one made the following statement:

“We were before the commission for an increase in rates for a period of twenty-two straight months, on one case. At the end of that time, our application was denied. That, of course, was a sufficient disappointment after the time taken to hear the case. But even worse, from the public relations point of view—over a period of almost two years the ratepayers were continuously hearing and reading about the application. Not being able to understand or segregate the various phases of the procedural steps being taken, the public concluded that *we were always before the commission for rate increases*, which, of course, was completely incorrect. Our relations with the public suffered from the lag.

“We still must have the rate relief we sought in the beginning, so we must either appeal to the courts or file a new application. We can rightfully anticipate a further deterioration in our public relations. We’re worried.”



Q “SINCE rate of return is actually a cost of doing business, it seems clear that a utility is entitled to such return ALL OF THE TIME AND NOT JUST PART OF THE TIME. It appears that this fact is sometimes overlooked by commissions in considering interim rates during the pendency of a lengthy rate proceeding.”

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THE second public relations official chimed in: "One major phase of the trouble is that the return allowed in a rate case, as a general rule, is not sufficient to maintain the company's net earnings at a reasonable level for any length of time. The result? Often within less than a year, because of continuous inflation pressures, costs have risen to a point where the return is no longer compensatory and management is forced to apply again. Bombarded by antiutility publicity, the public becomes convinced that the utilities are insatiable in their demands for higher and higher rates. And so the whole unsatisfactory cycle starts over again. Everyone would be better off if more realistic net earnings were allowed in the first instance. If they prove too high—after experience—a remote contingency in these days of rising costs—the regulatory agency can always perform a sound public relations stroke by lowering them."

These observations are fairly typical of the thinking encountered among some utility executives.

In the president's quarterly letter to stockholders of the Pacific Gas and Electric Company—an interim earnings statement for the twelve months ended September 30, 1951, released to the California press November 14, 1951—the following appears:

"Net earnings available for the common stock were substantially unchanged from the preceding twelve months, but because the average number of shares outstanding during the period increased, earnings per share declined to \$2.15. This compares with \$2.56 per share upon the average number of shares outstanding in the preceding twelve months and with

\$2.62 per share upon the corresponding average in the calendar year 1950.

"Obviously, present earnings are insufficient to continue to attract in the competitive capital market the large amounts of new money required for the further expansion of the company's properties to meet increasing demands for service in the next three or four years. It is expected that higher rates for gas and electric service and economies referred to herein will have the desired effect on earnings." (Emphasis supplied.)

THE letter continued, stating that the company on October 2, 1951, had received an increase of \$9,000,000 in gas rates, over and above \$7,000,000 authorized early in the year.

The letter adds: "Initial hearings on the company's application for an increase in electric rates of \$37,650,000 annually will commence on November 7, 1951. *It is hoped that the relief necessary to offset unavoidable increases in taxes and other costs will be obtained within a reasonable time.*" (Emphasis supplied.)

The hearings alluded to are still continuing, and will probably continue through the summer.

The points stressed in these excerpts, it should be noted, are that "present earnings are insufficient to attract competitive capital" and the hope that rate relief will be forthcoming "within a reasonable time."

As though in echo to the Pacific Gas and Electric Company statement, San Francisco newspaper financial pages of March 26th and 27th, this year, contained an analysis of the present money markets with relation to California utility securities, stem-

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Regulatory Protection for the Consumer

"... it can readily be understood why a regulatory agency, confronted with constant public clamor and pressure, some from extremely powerful community sources, would tend today to hold the reins tight on rates and net return. Indeed, within the past few years the term 'net return'—formerly reserved rather generally for usage by those engaged in regulatory work, by utility management, or financial groups—has become a phrase of ordinary, lay usage, emphasizing both the citizen's concern with, and understanding of, the earnings of utilities."

ming from an interview with Robert A. Hornby, the young and dynamic executive vice president of the Pacific Lighting Corporation, which, with its subsidiaries, the Southern California and Southern Counties Gas companies, serves all of southern California south of Paso Robles, except San Diego county, with gas.

JUST returned from the East and Middle West where he has made 50 speeches in 10 cities since September, 1948, to financial people interested in the status of his company, Mr. Hornby was frank to say that "the reaction was not good among sophisticated buyers such as large insurance companies, investment trusts, and securities counselors."

The reason? Insurance companies and some other investors in the East and Midwest have become concerned

about the difficulties various utilities have in winning approval of rate advances which higher wages, taxes, and costs make necessary, according to the Hornby interview as quoted in the press.

ANOTHER, and perhaps more definitive example of the Pacific Lighting Corporation's view on the present earnings situation is contained in a discussion under "Regulatory Matters" in a supplement to the company's 1951 annual report, issued to stockholders as of March 21, 1952.

After stating that "most California utilities," including the Pacific Lighting Corporation's two utility subsidiaries, "have not been able to increase their earnings or dividends by any significant amount, although their rate of growth in customers, sales, and investment has been far greater than

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that of utilities in other states," the report continues:

"Unless growth can be converted in part, at least, into an improving return per share, mere increase in size tends to become a handicap rather than a benefit. A large part of management's time is being consumed in presenting these facts to the regulatory bodies in attempting to bring earnings and dividends into line with growth and economic trend."

As to what constitutes a fair return, it seems apparent to the observer from the emphasis given by utilities and their management to the requirements of the financial markets that these utilities have definitely in mind the tests enunciated by the United States Supreme Court in two celebrated cases — the Bluefield Water Works' decision of 1923¹ and the Hope Natural Gas Case of 1944.²

This first landmark of judicial reasoning said:

... What annual rate will constitute just compensation depends upon many circumstances and must be determined by the exercise of a fair and enlightened judgment, having regard to all relevant facts. A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or antic-

ipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time, and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally. (Emphasis supplied.)

THE Hope Natural Gas decision included the following:

The rate-making process under the act, i.e., the fixing of "just and reasonable" rates, involves a balancing of the investor and the consumer interests. Thus we stated in the *Natural Gas Pipeline Company Case* that "regulation does not insure that the business shall produce net revenues." But such considerations aside, the investor interest has a legitimate concern with the financial integrity of the company whose rates are being regulated. From the investor or company point of view, it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital... (Emphasis supplied.)

From the technical point of view, therefore, and in consideration of the attitude of risk capital as reported by utility management, is it proper to ask whether we have entered an era of

¹ Bluefield Water Works & Improv. Co. v. West Virginia Pub. Service Commission (1923) 262 US 679, PUR1923D 11.

² Federal Power Commission v. Hope Nat. Gas Co. (1944) 320 US 591, 51 PUR NS 193.

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regulation wherein the legal requirements of fair return as defined in the Bluefield and Hope cases are threatened?

That is a query to ponder.

And even propounding it develops very serious implications, indeed.

HOLGAR J. JOHNSON, president of the Institute of Life Insurance, speaking before the Investment Bankers' Association at Pasadena, California, in November, 1950, made the following statement:

"No business can expect to endure long with public good will and consequent success if it does not carry out the public relations function promptly, effectively, and continuously.

"More than ever before it is public opinion that — in the last analysis — decides how a business must operate if it is to continue and prosper."

M. S. Rukeyser, the International News Service economic commentator, in his column November 9, 1950, wrote:

"A debate has been raging about the effectiveness of the effort of business to promote greater popular appreciation of the free enterprise system. It is futile to assume that the job can ever be completed. Like education itself, it is an unending adventure. . . .

"Institutional advertising should not be employed to regiment thinking or dictate opinions, but should be used to focus widespread, popular attention on the realities which grow out of the healthy functioning of the American way of life."

These two thoughts are well worth reproducing in any discussion of the present earnings of utilities, and the apparent reluctance of regulatory agencies to expand those earnings.

THE preoccupation of utilities in the present inflationary era with insistent efforts to *proceed solely on a procedural and legal basis* to accomplish their rate necessities, with their almost unbelievable neglect of the public relations problems involved, has largely brought us to our present pass today.

These are harsh words, perhaps, but written deliberately. The conclusion is based upon experience gained from nine years' service with a regulatory agency in a public relations capacity, plus many years' previous work in the same field.

It is truly fantastic—this failure of utility top management, by and large, to recognize and intelligently appraise the public relations requirements of the postwar rate increase programs before public bodies.



"... it is not the province of a quasi judicial body to undertake the job of explaining the economic facts of life to the consuming public. Those facts should be explained frankly and completely by the utilities themselves, bearing thoroughly in mind that we have not yet reached the stage in this country, we hope, where the mention of adequate profits and an adequate return on invested capital somehow sinful and against the public interest."

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Another paradoxical point: How can one explain this blindness from another angle — the fact that any schoolboy knows that public utilities stand in the vanguard of private enterprise segments marked as "high priority" by those whose eventual aim is the abolition of all private enterprise and the substitution therefor of an American Soviet?

This "high priority" rating accounts, to a marked degree, doubtlessly, for the postwar activities of left-wingers in rate cases.

ONE would assume that this fact, alone, without any of the beneficial by-products involved, would have roused the utilities from their lethargic refusal to embark upon a "grass roots" public relations undertaking in connection with the subject of rate relief.

And several important by-products were easily available. For one, a proper program would certainly have given everybody a far more intelligent understanding of the rate situation, the powers of regulatory bodies, the necessities of maintaining a reasonable return to safeguard continuation of an exceedingly vital sector of the American free enterprise front. Everyone would understand and appreciate information, if it were properly presented to them.

Nor would it have been amiss to have started several years ago upon the task of acquainting chambers of commerce, study clubs, service organizations, and others, with the quite *simple fact that private enterprise* in the public utility field — like everywhere else — must have reasonable net earnings to survive against the stat-

ists—who pay no taxes, and devour wealth, not create it.

Many other steps could have been, and still should be, taken. If the utilities themselves do not take them—then, who will, pray?

Certainly, the Congress and state legislatures cannot be expected to appropriate funds with which regulatory bodies might embrace the task, since such agencies are ill-equipped by viewpoint and experience to develop a program to publicly espouse views more properly those of the regulated than the regulator.

MOREOVER, it is not the province of a quasi judicial body to undertake the job of explaining the economic facts of life to the consuming public. Those facts should be explained frankly and completely by the utilities themselves, bearing thoroughly in mind that we have not yet reached the stage in this country, we hope, where the mention of adequate profits and an adequate return on invested capital is somehow sinful and against the public interest.

When we do reach such a stage—we'd better throw in the sponge and let the statists take over; and when that time comes, I, for one, want to take a fast boat to Patagonia or somewhere else.

But we haven't, thank heavens; and since we haven't, no one should be bashful in explaining that the investing public has to have a decent return before that public will use its savings to build our dams, and powerhouses, and telephone lines, and railroads, and about everything else a dynamic population needs to grow great and powerful.

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Another, and perhaps the most serious, result of the failure to utilize a public relations approach lies in the fact that regulatory bodies have received no protection from pressure group attacks which might have been provided by an informed public opinion.

Regulatory bodies over the nation have authorized one rate increase after another in the postwar era—in the face of ever-increasing public and press opposition, even hostility.

This fact, alone and of itself, testifies eloquently to the courage of the public officials who comprise such agencies, a point sometimes either completely overlooked or not given proper weight by utility management.

IN fairness, it should be stated that many perceptive public relations officials of utilities are thoroughly cognizant of the points touched upon in the foregoing. But while that is true, it is also true that top level management has failed signally to grasp an adequate understanding of the rewards to be won from broad, intelligent, courageous public relations planning and execution.

What is the situation today, then, in the regulatory picture?

Unless commissions recognize that return on investment is a cost of doing business — no less so than are operating expenses, taxes, and depreciation — the public regulation of utilities is in danger.

Since rate of return is actually a cost of doing business, it seems clear that a utility is entitled to such return *all of the time and not just part of the time*. It appears that this fact is some-

times overlooked by commissions in considering interim rates during the pendency of a lengthy rate proceeding.

IN summarizing, we find that by and large utilities' earnings are in the low areas of the "zone of reasonableness"—if they are not, in some cases, unreasonably low.

We find that costs are apparently going higher, with constant "slippage" of net being a worrisome factor and with utilities feeling the effects of higher and higher "break-even points"; that authorized rates of returns are illusory—in that it is only a comparatively brief period before the utility must return for higher rates.

We find that much water has run under the bridge since a broad public relations program might have prevented the present situation from developing—but that while it is very late, it may not be too late.

We find utility management wondering if the consumer interest has not begun to outweigh the investor interest in the minds of some regulators.

We find, upon inquiry, that generally there is grave concern over the continuation of our present system of regulation—on the ground that one day utility service and expansion may be brought to an abrupt halt by inability of management to obtain risk capital.

When, as, and if that time comes—and there are lightnings on the dark horizon—then certainly public regulation of private utilities will be seriously in jeopardy.



Washington and the Utilities

Electric Consumers Lobby Formed

THE most interesting development in the nation's capital over the past month was the announcement of the formation of a new organization to be known as the Electric Consumers Conference, with headquarters at the Willard hotel in downtown Washington. A 2-day meeting was then scheduled for May 26th and 27th at which principal speakers were to include the Secretary of Interior Chapman, Assistant Secretary of Agriculture Hutchinson, Senators Hill (Alabama), Aiken (Vermont), Humphrey (Minnesota), and Representative Kirwan (Ohio), the head of the CIO Automobile Workers, Walter Reuther, the head of the CIO National Farmers Union, James A. Patton, and various other proponents of publicly owned power.

Murray D. Lincoln, president of the Co-operative League and of C.A.R.E., was slated to be chairman of the conference. Aside from the 2-day meeting, the organization has apparently been set up to run indefinitely for the promotion of 10 specific "principles," briefly listed as follows: (1) lowest rates consistent with sound business and widespread use; (2) promotion of "economically feasible hydroelectric power resources" exclusively by the Federal government; (3) low rates by private utility companies purchasing power from such Federal projects; (4) commercial and industrial development through low-cost power; (5) best service that modern management and technology can provide; (6) exclusion of lobbying cost from electric rates; (7) the same for propaganda

activities; (8) the same for unwarranted expenses or values; (9) rates to promote rural electrification; (10) rates to promote full rural and urban production in our economy.

THE new Consumer Conference claims to represent the interests of more than 6,000,000 users of electricity. The program leans heavily on the promotion of well-known public ownership policies and pleas for Federal power development. The sponsoring agencies are clearly weighted with CIO labor groups: automobile workers, steel workers, textile workers, farmers' union, and the top level Congress of Industrial Organizations. Two independent labor groups, Brotherhood of Railroad Trainmen and the International Association of Machinists, are likewise associated.

Otherwise the sponsoring associations seem to be composed of several groups which have long been identified with the promotion of public ownership of electric power: Public Affairs Institute, National Rural Electric Co-operative Association, American Public Power Association, Tennessee Valley Public Power Association, and the Judson King Foundation (apparently a successor to, or affiliate of, the noted National Popular Government League). Oddly enough neither the CIO union nor the AFL union most concerned with electric utility workers—CIO Utility Workers of America and the AFL International Brotherhood of Electrical Workers—are listed among the sponsors. But the well-known anti-Socialist sentiment of these two utility labor organizations provides the explanation.

The newspaper release announcing the

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conference program stresses its interest in "how the so-called 'preference clause' of Federal power laws provides equality to consumers in sharing benefits of government hydroelectric developments." This seeming *non sequitur* (from the view of private company users of electricity) was not further explained. But doubtless the program speakers will give it plenty of attention.

Base on Balls for Interior

THE Interior Department counsel has been playing a waiting game on the Roanoke Rapids Case ever since it was started. Argument before the Federal Power Commission, which resulted in the Virginia Electric & Power Company being given a hydroelectric license over the objection of Interior, was prolonged and deliberate. So were the proceedings on motion for rehearing. Likewise the proceedings before the Fourth U. S. Circuit Court of Appeals, which resulted in the unanimous verdict in favor of the FPC decision.

Application for review by the U. S. Supreme Court was filed almost on the deadline and after that Interior asked further time to prepare, which was granted. Now comes a further delay in the form of the highest Court's consent to review the case. This action of the Court came at a time (early May) when the lawyers could not be heard for argument before the Court's annual summer recess. The whole thing must therefore go over until the next October term, which means that a decision would ordinarily not be reached before late November or December.

Thus, the practical result of the department's careful playing of all its legal cards has paid off, at least to the extent of pushing the final decision behind the election date. At this election a new Congress will be selected and probably a new President, unless Truman changes his mind again, and passes another miracle at the polls.

Why has the Department of Interior followed this apparent slow-motion pro-

gram of fighting a last-ditch defensive action to preserve its position about "paramount interest" in area development for Federal power projects? The answer may be a recollection of what happened in November, 1948, when Interior was extricated from a similar difficult position concerning the building of power lines in the Northwest. Some of the congressional opponents of Interior's program were election casualties that year, and President Truman's victory solidified the position and policies of the Interior Department.

Likewise, in case of another "surprise victory" in November, the next Congress might be disposed to come to the rescue of Interior with positive legislation authorizing Federal projects, in the Roanoke area, in the Kings river area in California, and elsewhere, notwithstanding FPC licenses. This would bail Interior out of its present legal difficulties with FPC, making the issue of "paramount authority" a moot question.

Contrariwise, if the next Congress should be heavily weighted against the present administration's policies of centralized control and heavy spending for multipurpose projects, Interior would be no worse off than if it had capitulated to the FPC at the outset.

In short, Interior's waiting program paid off in 1948; so administration officials cannot see how they can lose by hoping for a repeat in 1952. Viewed in this light, the Supreme Court's consent to review the lower court's decision is something like a base on balls for Interior. At least it puts Interior in a technical position to score if, as, and when somebody else makes a hit with the American voters. They hope it will be a candidate with a fondness for public power expansion.

Doty Confirmed to the FPC

AFTER weeks of almost an inexplicable delay, Dale E. Doty, Assistant Secretary of Interior, was confirmed by the Senate to the vacancy on the Federal Power Commission left by the retirement

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of former Chairman Walker. The big hurdle was getting the hearing started in the Senate Interstate Commerce Committee. It finally developed that there was no opposition at all to Commissioner Doty, merely some questions which certain parties wanted to have the Senators ask—and none of them dealing with Doty's duties on the FPC.

When Chairman Johnson (Democrat, Colorado) finally got the hearing started, early in May, four Senators who had earlier indicated that they would like to question Doty withdrew their requests. One other, Senator Magnuson (Democrat, Washington), sent in some questions about Doty's administration of fisheries. Five Senators unanimously agreed to Doty's appointment when the matter came to a vote. These were: Senators Johnson; Tobey (Republican, New Hampshire); McFarland (Democrat, Arizona); Hunt (Democrat, Wyoming); and McMahon (Democrat, Connecticut).

Some critical testimony developed at the hearings about Doty's handling of Indian Affairs, but his knowledge of electric power regulation was not called into question. Senator Johnson said Doty had shown "poor judgment" on his Indian Affairs job with Interior and that he (Johnson) "would be happy to see Doty kicked upstairs." But the Senator thought that Doty still might make a satisfactory member of the FPC. He did raise the question of whether Doty's membership might give rise to a possibility of a 2-2 stalemate on the commission if there is a delay in confirmation of Chairman Buchanan's renomination. This renomination was announced on May 12th. Buchanan's term expires in June. Some Senators from the gas-producing states may prove critical of Buchanan, but opposition is not expected to go beyond a delay in confirmation.

U. S. Chamber Hears about Power

FEDERAL participation in power development need not be very great, ac-

cording to Leland Olds, former chairman of the Federal Power Commission, in addressing the natural resources section at the annual meeting of the Chamber of Commerce of the United States. The postwar power trend is in the hands of the industry itself, he said. The extent of government activity in this field is largely a matter of how the industry handles the general public interest.

If the Federal government does not think the industry is doing an "adequate" or "reasonable" job, Olds hinted, the government would have to step further into the power development picture. Olds did not recede from his earlier known views that Federal government should take the lead in river basin planning and investment in multipurpose development. "The responsibility of the Federal government is tremendous," Olds commented.

SOME state laws oblige the Federal planners to seek state approval before development, according to former Governor Miller (Republican, Wyoming), on the same program with Olds. Miller argued for the "equal use by all interests."

What is needed, he said, is a "settled policy in matters of Federal development" of public lands—with private development wherever possible. He pleaded for local responsibility and participation in the costs of public projects. "I decry," he said, "Federal pre-empting of sites where private development is indicated."

President L. V. Sutton of Carolina Power & Light Company also spoke in behalf of development by non-Federal capital where possible. He referred to "the present political policies of the Interior Department" in pre-empting sites via approval by Congress of sketchy Army Engineers' plans for river basin development years in advance of authorization of specific project. Sutton said, "Every (Interior Department) move is in accord with well-ordered plans to socialize the electric power industry."

Exchange Calls And Gossip



REA Loans to Co-ops

TELEPHONE co-operatives will find it a little easier from now on to obtain REA loans. REA has issued a revised policy statement which liberalizes to some extent the equity requirements demanded of all applicants for telephone loans. Though a "reasonable amount" of equity capital is still required for rural telephone loans, due to the high risk factor, the equity requirements may be satisfied in three ways: (1) by the equity in existing telephone systems; (2) by additional investment in the new or improved telephone system through such methods as the sale of stock to subscribers and others; (3) the issuance of shares or certificates evidencing membership and other equity payments.

In addition, the policy statement continues, "where ownership and control of the borrower are widely distributed among subscribers and the equity funds are to be supplied through widespread participation of the subscribers or applicants for service, the requirement of equity capital shall not exceed \$50 per subscriber to be served by the loan."

In cases where the borrower has already received one or more loans from REA, no additional equity capital will be required for that part of the new loan which includes funds to complete construction authorized by previous loans. However, if the requested loan includes funds to be used for new construction or connection of new subscribers, additional equity will be required. In these cases, determination of the equity required will be based on the equity requirements of the preceding loan, provided the number of new subscribers does not exceed 50 per cent of the total number of subscrib-

ers included in all previous loans. Otherwise, a re-evaluation of the equity requirement shall be made.

Four Telephone Companies Receive Management Awards

THE Chesapeake & Potomac Telephone Company of West Virginia, the Southern New England Telephone Company, the Ohio Bell Telephone Company, and the Pacific Telephone & Telegraph Company have been awarded Certificates of Management by the American Institute of Management of New York, a nonprofit foundation devoted to the study and improvement of corporate organization and management. Each now becomes one of 308 companies in the United States and Canada which have been designated "excellently managed" by the institute.

According to Jackson Martindell, president of the management group, the awards are based on each company's achievements in ten separate fields—economic function, corporate structure, health of earnings growth, fairness to stockholders, research and development, directorate analysis, fiscal policies, production efficiency, sales vigor, and executive evaluation. In order to be certified, a company must receive 7,500 points out of a possible 10,000. The point system is based on a continuing corporate study of 3,000 concerns.

"One of the major purposes of these awards," declared Mr. Martindell, "is to encourage management in all lines of business to give weight to all ten factors, rather than being especially strong in a few and neglecting the others. A Certificate of Management Excellence proves

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that the company receiving it has attained a proper balance in its efforts and objectives."

Telephone Order M-77 Revised By NPA

THE National Production Authority has revised its telephone order M-77, controlling materials used by telephone and telegraph companies. The definition of "operating construction" has been modified to include construction on leased property, provided that the terms of the lease require the operator to procure materials for MRO (maintenance, repair, operating supplies) and building operations. In addition, the building alterations must not require in excess of 5 tons of carbon steel (not to include more than 2 tons of structural shapes, no wide-flange beam sections or columns), 200 pounds of copper and copper base alloys, or 100 pounds of aluminum. (No alloy steel or stainless steel.) This change brings nonoperating construction, previously excluded, under the provisions of the order. Offices, warehouses, garages, and similar structures are now included.

The self-certification provision accorded to small telephone companies serving less than 5,000 subscribers has been raised from \$15,000 per project to \$25,000.

Another modification permits an operator to use an allotment symbol and a rating to obtain materials for the manufacture of products used as MRO or for other specific purposes by the operator who manufactures them. This new provision brings M-77 into line with Controlled Materials Plan Regulation No. 5.

Other revisions include limitations on the use of copper and aluminum controlled materials in construction, a provision which has been added so that the order will conform to other NPA controls on construction. No controlled materials will be allowed for decoration or ornamental use.

The order does not affect international companies and does not apply to

commercial radio or television networks, or to amateur radio operators.

USITA Conference

THE executives conference of the United States Independent Telephone Association met May 8th and 9th at Colorado Springs in an atmosphere of apprehension over increased activity of the Rural Electrification Administration in the field of rural telephone loans. REA's recent shift of emphasis from rural electrification to telephone loans frankly worried some independent telephone men who expressed the fear that increased REA activity on behalf of the co-ops might complicate efforts of the telephone industry to solve the rural telephone problem within the next ten years. REA's encouragement of the co-ops to buy out small companies at inflated prices came in for some sharp criticism at the conference.

The news that some of the objectionable features of the original REA loan documents have been eliminated was greeted enthusiastically. A resolution was adopted expressing the belief that the new terms "are fair and equitable," and that "independent telephone companies which have exhausted other sources of capital and may find it necessary or desirable in their own independent judgment to borrow money from the REA," should now be able to do so.

The subject of taxes got some special treatment from Donald C. Power, president of the General Telephone Corporation. Deploing the present high level of taxes, due in large part, he charged, to waste and unnecessary expenditures, Power declared that the income tax as presently constituted is inequitable, regressive, and inflationary because "it taxes a corporation progressively in direct proportion to the efficiency of management as measured by the operating ratio of such business." The telephone industry, he said, is carrying the heaviest tax load of all industries. He called for a "limitation on the upper level of taxes which the Treasury may collect from a

EXCHANGE CALLS AND GOSSIP

utility" and the elimination of excise taxes on telephone service.

USITA's executive vice president, Clyde S. Bailey, reviewed the activities of the association for the past year, with special emphasis on legislation involving the telephone industry. Probably the most important bill to be introduced at this session of Congress, Bailey said, was the McKellar-Davis highway bill.

Unfortunately, the bill seems to have bogged down and he urged the telephone companies to bring their viewpoints to the attention of their congressional delegations in the hope that such action will ultimately succeed in bringing the bill back to life.

Harold P. Huls, California public utilities commissioner, stressed the need for economizing to avoid rate increases as the best means of surmounting successfully the obstacles presented by high taxes, wages, and costs of materials, as well as increasing encroachment by the Federal government upon the independence and enterprise of industry.

The developments in toll compensation were discussed by Edwin M. Blakeslee, president, Associated Telephone Company. As chairman of USITA's toll compensation committee, Blakeslee has been engaged in gathering data from a representative number of independent telephone companies for the purpose of establishing the need for an upward revision in toll compensation schedules applicable to traffic originating in the exchange of the independent company and transferred to Bell system lines for completion to destination. The data requested from those companies solicited by his committee have been slow in coming to the committee, Blakeslee indicated, and more time will be required before the committee will be in a position to draw any conclusions as to the adequacy of the level of commission schedules. He urged independent companies suffering from inadequate toll compensation to cooperate with his committee in order to bring about improved conditions in the industry.

Recent Rate Increases

IN a decision dated May 5th, the California public utilities commission authorized the Associated Telephone Company, Ltd., to increase its rates by an estimated \$1,837,671 annually by the application of a toll terminal charge to intrastate toll calls originating or terminating within the company's service area. The toll terminal charge was allowed in lieu of an increase in business and residence exchange rates, calculated to produce approximately \$1,927,000 of additional revenue, which the company had requested in its petition filed last January 11th.

In its decision, the commission estimated that the additional revenue would enable the company to earn a rate of return of approximately 5 per cent during the next twelve months.

Edwin M. Blakeslee, Associated president, said the company had applied for an amount sufficient only to cover out-of-pocket expenses resulting from wage increases and increased Federal tax rates imposed upon the company subsequent to June, 1951, which could not be reflected by the commission at the time it rendered its former decision granting a rate increase.

An order handed down last month by the Utah Public Service Commission gave Mountain States Telephone & Telegraph Company permission to bill customers directly for special municipal franchise and excise taxes as an alternative to having them included in cost of service rendered.

The telephone company also was granted permission to bill consumers for free telephone service granted their city and town governments.

As a result of the order, telephone bills in several Utah municipalities will carry a special additional tax item, as soon as the company files a new rate schedule with the commission.

In Salt Lake City, where a 2 per cent municipal gross proceeds tax is levied on the company's business, consumers' bills will be increased by that much in a separate entry. In other communities, the amount will vary.



Financial News and Comment

By OWEN ELY

High Lights of 1951 Utility Reports

THE electric utility companies' reports to stockholders for 1951 present a wide variety of material and presentation. Nearly all the companies now make a practice of distributing the so-called "insurance reports" to utility analysts, so that there is less need for including a substantial amount of statistical data in the reports to stockholders. However, some reports include "statistical high lights" which help to give stockholders a picture of the company's operations; and the so-called "pie" chart, showing what happened to the revenue dollar, remains one of the most popular graphs.

American Gas & Electric's report not only presents figures on revenues and earnings, generating capacity, etc., but also mentions an outstanding engineering achievement of the system—the burning of only .97 pounds of coal per kilowatt hour (in terms of 13,100 Btu per pound of coal). President Sporn epitomizes an industry problem when he points out that "Costs and rates are out of step. . . . The American Gas & Electric system has been a leader in the downward movement of costs and rates. Since the war we have been able to hold the line on rates, despite increases in the cost of virtually everything that enters into our operations, by making the utmost use of experience, engineering, and ingenuity. But for the present, the benefits in the form of lower cost from these efforts have been

thinning out, while other costs have continued to rise. . . . As a result, we have had to give serious consideration to our rates. Reversing a policy to which we have clung for more than a generation, we have applied for the first major rate increase on the system in twenty-five years."

The system is continuing its valuable research work in high-voltage transmission, thermal performance of steam at higher pressures and temperatures, etc. An increase in temperature to over 1,050 degrees requires costly alloy steels, but the company is experimenting with new materials. Pressures up to 6,000 pounds (three times the present amount) can be utilized with relatively moderately priced alloys, however. In an interesting discussion of atomic energy *versus* coal and other potential power sources such as wind power, tidal powers, and solar energy, President Sporn concludes that coal will continue to be our major source of energy for a long time to come, particularly for his system, which benefits by

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careful plant location in reference to coal mines.

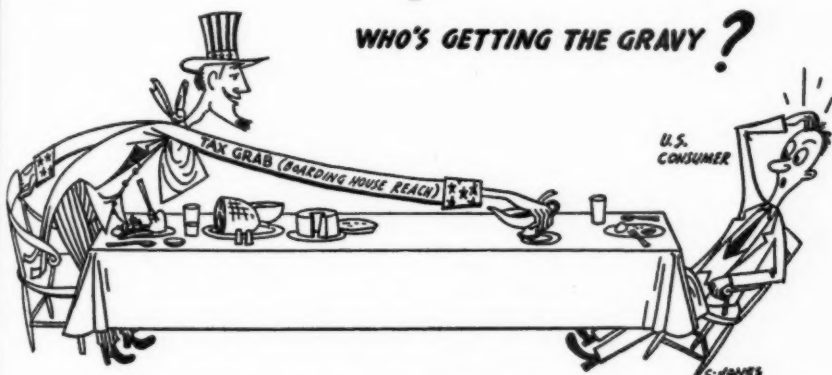
PRESIDENT England of *Atlantic City Electric Company* expects a 51 per cent gain in population for his area in the decade ending 1960 (*versus* only 17 per cent in that ended in 1950), giving effect to the impact of the building of steel plants in the area.

High taxes are, of course, a natural concern of utility executives. (See the accompanying cartoon from the report of Hartford Electric Light Company.)

President Schlink of *Central Illinois Light Company* points out that "Revenues in 1951 increased 11 per cent; taxes increased 28 per cent. While we are all committed to proper taxation and the support of defense needs, it is again timely to be awake to moves which use one so-called crisis after another as a cover for moves which have other objectives. As an example, the use of mounting millions of tax money for socialistic development of power projects destined to duplicate, compete unfairly, or eventually kill off the very enterprises which are taxed to help pay for their own destruction. Every citizen should take a long look at what is going on and realize where it may lead for all business and employment—especially in this hour when the nation rallies for the protection of its freedoms."

Some reports describe the development of new uses for gas and electricity. Thus President Crane of *Consolidated Gas, Electric Light & Power of Baltimore* points out that "More extensive use of natural gas in industrial processes continues at a gratifying pace. Large contracts were made for the use of our natural gas in the production of stainless steel, and for melting and heat treating in the manufacture of aluminum products. Contracts were also obtained for the use of substantial amounts of gas in the manufacture of porcelain, enameling materials, steel tanks, barrels and related products, electrical insulators, cans, and glass containers, in the production of soap and soap powders, and in large baking operations."

A NEW form of electric house heating is mentioned by President Sammis of *Ohio Edison Company*—the use of radiant heating panels as a sole source of heat. "The companies serve more than 60 such installations, and about one-half of them are now in use for the third consecutive heating season. Some installations are of the radiant glass-panel type, installed in walls near the floor; others are in the form of rubber panels installed in floor and ceiling. The companies are co-operating with the manufacturers and distributors of this equipment in studying its cost and adaptability as related to



THE TABLE'S BEEN TIPPED DURING THE LAST TEN YEARS

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the climate of the area. Further, the companies are continuing their experiments in the heating of homes electrically by means of the heat pump."

Some companies describe with enthusiasm new industrial trends or developments in their areas. President Nelson of *Gulf States Utilities* calls attention to the "new chemical frontier" in the Texas-Louisiana Gulf coast region. "Here there exists a local atmosphere which is conducive to harmonious relations between the community and industry, rail and deep water transportation, an abundant supply of intelligent labor easily trained in the process industries, a plentiful supply of electric power, vast reserves of petroleum and natural gas, a favorable year-around climate, and large quantities of water. These factors, among others, were important considerations in influencing many nationally known firms . . . to establish plants in the company's service area at a cost of hundreds of millions of dollars."

The report of *Minnesota Power & Light Company* stresses the development of taconite or low-grade iron ore to replace dwindling reserves of high-grade ore. Erie Mining Company expects to spend \$300,000,000 and Reserve Mining Company \$75,000,000, and U. S. Steel has a plant under construction.

ATOMIC energy, instead of easing the power supply problems of the utilities by furnishing a new source of power, is itself demanding huge amounts of electricity to exploit the fission process for producing bombs. The report of *Union Electric Company of Missouri* describes the progress being made with the \$100,000,000 plant at Joppa, which will have a capacity of 652,000 kilowatts to supply one-half the electrical requirements of the atomic energy project at Paducah, Kentucky. Union Electric has a 40 per cent equity interest, 60 per cent being held by four other utility companies. The report of *South Carolina Electric & Gas Company* describes the formation of a new subsidiary, South Carolina Generating Company, which will build a power plant to supply part of the needs of the huge

hydrogen bomb plant being built by Du Pont for the AEC in that area.

Considering the importance of the subject, there is comparatively little discussion of rate regulation in the annual reports. Perhaps it is too "hot" a subject for publicity at this time. However, when an increase has been obtained, it is sometimes possible to comment. Thus Chairman Nichols of *Southwestern Public Service Company*, in his annual report issued last November, stated that "During the year tangible evidence of the satisfactory relations with the communities served was furnished in the prompt and favorable response to the company's application for increase in electric rates. The company is continuing its policy of close co-operation with these communities in matters affecting their growth and welfare. The company is also continuing its radio program over territory-wide hookups. It is believed these broadcasts have done much to inform the consumer of the company's services and problems as well as aiding local dealers by stimulating sales of electric appliances."

PRESIDENT Schiller of *Public Service Company of New Hampshire* points out that the state law governing utility regulation has been revised to prevent "unreasonable delays in rate cases such as that which caused our company so much distress between January 10, 1950, and July 6, 1951. Under the new law the commission must take positive action within six months or the proposed rates become effective automatically under certain restrictions."

Electric utilities with natural gas service may be interested in the report of *Connecticut Light & Power Company*. In order to avoid dual regulation by both the Federal Power Commission and the public utilities commission of Connecticut, the company has segregated its gas business in a wholly owned subsidiary.

Utility reports do not usually contain much discussion of the general economic and political picture. However, President Mullendore of *Southern California Edison* found the opportunity in his report to emphasize his views as to the unsound

FINANCIAL NEWS AND COMMENT

foundation for present prosperity. "We are continually aware of the fact that this, the most prolonged boom in American history, has been financed by public and private debt of inconceivable proportions, incurred for the most part as a result of nonproductive expenditures, such as wars or gifts to foreign countries. We know that the present American standard of living has an abnormally high luxury content, and has been financed by an explosive expansion of private debt. We believe that this boom has already outlived its allotted span, measured by reason or experience. We know that most, if not all, of the financial and fiscal 'rabbits in the hat,' available to resourceful but reckless administrators and employees of government, have been used. . . . The longer this period of abnormal expansion lasts and the more violent it becomes, the more reason there is that we should proceed with caution."

PERHAPS the most popular general topic is the encroachment of Federal power on the domain of the private utilities. We used to hear a good deal from Leland Olds and others about river valley development. President Beebe of *Rochester Gas & Electric Corporation* says in his report that "this company, through private enterprise and without any burden on the taxpayer, has for years been carrying out a river and area development program in the Genesee valley. As a result we are already doing most, if not all, of the good things claimed by the TVA in its territory and, at the same time, we have been carrying more than our fair share of the tax burden."

Most of the comments on the Federal power program are critical, but some utilities are learning how to co-operate with Federal agencies in their neighborhood. President McKee of *Pacific Power & Light* describes the progress of important hydro developments on the Lewis river, expected to be in service by November. "Plants like Merwin and Yale ideally supplement the large Federal projects on the Columbia, the flow of which is restricted during winter months when freezing weather blankets its upper

tributaries in the Rocky mountain country."

President Osborne, in the report of *Central & South West Corporation*, indicates that relations between his system and the Southwestern Power Administration are improving. While some inter-connecting transmission lines are being built, a recent contract will eliminate costly duplication by the government of the lines of the Oklahoma companies, and should result in integration of the facilities and services of these companies and the SWPA.

PRESIDENT Polhemus of *Portland General Electric Company* describes the operation of the great Northwest Power Pool, which is now rounding out a decade of operation. The co-ordination of private utilities, municipal systems, and Federal projects under the Bonneville Power Administration is praised because "the co-ordination made possible through use of the power pool network salvages electric power equivalent to another Bonneville dam." He also praises the "degree of unity achieved among the various segments of the power industry."

On the other hand, President Gadsby of *Utah Power & Light* (retiring president of the EEI) takes up the cudgels for the industry against Federal power. We reproduce on page 796 the maps on the back cover of his report, showing past, present, and projected Federal power developments. He states that "one of the more significant evidences during 1951 was the stripping away of all pretense when the Secretary of the Interior, in a brief filed on his behalf as petitioner against the Federal Power Commission and the Virginia Electric & Power Company, openly states that he is aggrieved because a hydro development of the power company will become a competitor of the Secretary of the Interior as a power producer. Hell's Canyon project in Idaho is another case in point. Here, the Bureau of Reclamation in the Department of the Interior is now pressing Congress to appropriate funds to start a power dam, plant, and transmission lines, which would cost taxpayers over \$475,000,000.

PUBLIC UTILITIES FORTNIGHTLY

THE SPREADING BLIGHT OF SOCIALISM

PAST — 1932



In 1932 the Federal government engaged in the electric power business only in so far as power was "incidental" to legitimate and constitutional functions. Only a few such projects were in existence. Others were under construction.

PRESENT



Today, 20 years later, the blight has spread. Scores of Federal power projects function with questionable constitutional authority and in direct competition with investor-owned electric utilities. Because of tax exemption and, so far as the Federal treasury is concerned, practically no interest, these tax-financed projects sell electricity to a favored few at below actual cost. The difference is made up by taxpayers all over the country.

WHAT LIES AHEAD



What of the future? The social planners have it all figured out. They have projected a \$70 billion water resources program, which includes a nationalized power system to compete with and eventually eliminate private enterprise in the field of electric power. The money would come from taxpayers' pockets. It's time to halt this growth of Socialism.

It is a power project with no irrigation involved. In fact it might curtail use of irrigation water above the dam site. Idaho Power Company wants to build, at its own cost, five low-head dams which over the years would produce more electric

energy than Hell's Canyon, but this investor-owned company is blocked . . ."

A STRONG view of "Federal monopoly" in the Pacific Northwest is contained in President McLaughlin's story

FINANCIAL NEWS AND COMMENT

for stockholders in the report of *Puget Sound Power & Light Company*. Mr. McLaughlin may be influenced by the fact that his company is being "sold down the river" to the PUD's, but his long account of public power encroachments in the Northwest is highly dramatic and interesting.

President Gussett of *Iowa Power & Light Company* reports that "During the year, the Federal government continued to spend tremendous sums of tax money on large dams on the upper Missouri river and on hydroelectric facilities thereat. Also, its Bureau of Reclamation of the Department of the Interior went before Congress and requested certain funds for planning and eventual construction of a network of electric transmission lines in the Dakotas, Minnesota, Nebraska, and western Iowa. The suggested facilities for western Iowa were largely duplicative of existing or already planned facilities of your company and the other investor-owned utilities serving that area, and when this was explained to the Congress, the authorizations requested by the bureau were refused as far as Iowa was concerned."

The *Northern States Power Company* takes a less critical view of Federal power projects in the Missouri valley area, such as Ft. Randall and Oahe in South Dakota and Garrison dam in North Dakota. Ultimate capacity of these projects is estimated at 1,120,000 kilowatts (though how much will be "firm" is unknown). Plans for construction of a network of high-voltage transmission lines to transmit Federal power are also described, but 20 Minnesota co-operatives and 3 utility companies (including Northern States) are opposing construction of lines in Minnesota which would duplicate existing facilities.

THINGS seem to be going a little more smoothly in California, where *Pacific Gas and Electric* has been carrying on a running fight with Federal agencies for many years. Recent execution of two 10-year contracts for disposition of power generated at the big Central Valley project will give the company material sav-

ings in the cost of this power, which it buys from the Bureau of Reclamation. The company also has been authorized by the FPC to proceed with the construction of the Kings river hydro plants with a rated capacity of 279,000 kilowatts, though this is still being opposed in the courts by the Department of Interior.

Turning to the northeastern part of the country, we quote as follows from the report of *Public Service Company of New Hampshire*: "During the year 1951, hearings were held in New England by the New York-New England Inter-Agency Committee, set up by executive order to study the natural resources of the New York-New England area. Although no reports of the committee have been issued, there is increasing evidence that the study group may be used to further promote public power just as the President's Water Resources Policy Commission has been used. . . . There are ever-increasing signs that the well-organized public power groups in the government are trying desperately to make inroads into the electric business in New England and New York as they have in many other sections of the country."

PERHAPS the biggest power "fight" in the country at this time is the contest between the Federal government, the state of New York, and a group of five large utilities to develop 1,000,000 kilowatts additional power from the Niagara river. This project has no connection with the St. Lawrence seaway project, which is 250 miles away on another river. For over fifty years existing electric companies have operated plants on the Niagara river and for thirty years they have been trying to obtain additional power—now permitted by the 1950 treaty with Canada. Canada has already begun work on its side of the river, but Congress must take action to authorize work on the U. S. side. There are three alternate bills pending, one of which (the Capehart-Miller Bill) would permit the job to be done privately. The five companies—Niagara Mohawk, Consolidated Edison, New York State Electric & Gas, Rochester Gas & Electric, and Central Hudson Gas

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& Electric—have jointly issued a booklet, "More Power from Niagara," and they also discuss the project in their annual reports. The report of Central Hudson gives a good account of the project, and of the issue as to whether the Federal government should move directly into the power business—where there is no question of navigation or flood control involved.

Recent Holding Company Developments

ELECTRIC BOND AND SHARE COMPANY on April 28th filed with the SEC a new plan to comply with the Public Utility Holding Company Act. Under this plan the company would reduce its holding of 3,165,781 shares of United Gas Corporation to 1,171,000 shares, or slightly less than 10 per cent of the total amount outstanding. (While this is the percentage mentioned in the act, the SEC

could use its discretionary powers to order the amount reduced to less than 5 per cent, as it has done for example with United Corporation.)

Electric Bond will retain its present 54.6 per cent equity interest in American & Foreign Power Company and 100 per cent equity in Ebasco Services Incorporated, together with a substantial cash fund from which it will make future investments. The company will continue to pay semiannual stock dividends—in Southern Company and Washington Water Power this year, and in United Gas during 1953-55. Rights to buy United Gas will also be given to stockholders in 1952 on a 1-for-10 basis, at a discount of about 25 per cent from the market price, and similar offering will be made in 1953-55.

United Corporation, which may achieve independent status as an investment trust within a few months, has received SEC permission to make intermediate investment of available funds.



FINANCIAL DATA ON ELECTRIC UTILITY STOCKS

1951 Rev. (Mill.)		5/6/52 Price About	Div. Rate	Cur. rent Yield	—Share Earnings*—				Price- Earnings Ratio	Div. Pay- out
					Cur. Period	% In- crease	Freq. Of Re- ports**	Earnings		
\$193	S American G. & E.	60	\$3.00#	5.0%#	\$4.58m	D9%	my	13.1	66%	
22	O Arizona Public Service ..	13	.80	6.2	.89m	10	qy	14.6	90	
6	O Arkansas Mo. Power	15	1.00	6.7	1.35d	D6	qy	11.1	74	
20	S Atlantic City Elec.	25	1.30	5.2	1.68m	11	my	14.9	77	
4	O Bangor Hydro Elec.	27	1.60	5.9	2.10m	D10	qy	12.9	76	
2	O Beverly G. & E.	50	4.00	8.0	4.13d	31	a	12.1	97	
3	O Black Hills P. & L.	19	1.28	6.7	1.94j	D6	qy	9.8	66	
74	B Boston Edison	46	2.80	6.1	3.23m	4	qy	14.2	87	
13	O California Elec. Pr.	9	.60	6.7	.66m	8	qy	16.7	111	
12	O Calif. Oregon Pr.	26	1.60	6.2	1.83f	1	b	14.2	87	
40	S Carolina P. & L.	35	2.00	5.7	3.08m	2	my	11.4	65	
18	S Cen. Hudson G. & E.	11	.60	5.5	.79m	22	qy	13.9	83	
14	O Central Ill. E. & G.	23	1.30	5.7	2.18m	D1	bq	10.6	60	
22	S Central Ill. Light	38	2.20	5.8	2.90m	2	mcy	13.1	76	
33	O Central Ill. P. S.	19	1.20	6.3	1.47m	D8	qy	12.9	82	
8	O Central La. Elec.	31	2.00	6.5	2.76m	NC	qy	11.2	72	
24	O Central Maine Power	17	1.20	7.1	1.45m	5	my	11.7	83	
80	S Central & S. W.	17	.90	5.3	1.42m	6	qy	12.0	63	
8	O Central Vermont P. S. ..	12	.80	6.7	1.17m	26	my	10.2	65	
77	S Cincinnati G. & E.	38	2.00#	5.3	2.89d	D3	qy	13.1	69	
5	O Citizens Utilities	27	.90#	5.6#	2.25f	20	qc	12.0	40	
80	S Cleveland Elec. Illum.	52	2.60	5.0	3.68d	8	qy	14.1	71	
2	O Colorado Cent. Power	17	1.00	5.9	1.34d	5	qc	12.7	75	
31	S Columbus & S. O. E.	23	1.40	6.1	2.04m	9	qy	11.3	69	
281	S Commonwealth Edison	32	1.80	5.6	2.03m	D7	qy	15.8	89	
7	C Community Pub. Ser.	16	.90	5.6	1.41m	14	qy	11.3	64	
1	O Concord Electric	35	2.40	6.9	2.52d	D5	a	13.9	95	
48	O Connecticut L. & P.	15	.88	5.9	.95m	D2	mcy	15.8	93	

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1951 Rev. (Mill.)	(Continued)	5/6/52 Price About	Div. Rate	Cur- rent Yield	Cur. Period	—Share Earnings*— % In- crease	Freq. Of Re- ports**	Price- Earnings Ratio	Div. Pay- out
16 O	Connecticut Power	36	2.25	6.3	2.30m	D11	qy	15.7	98
418 S	Consol. Edison	35	2.00	5.7	2.25m	1	qy	15.6	89
84 S	Consol. Gas Balt.	27	1.40	5.2	1.62m	D9	qy	16.7	86
129 S	Consumers Power	35	2.00	5.7	2.68m	D1	mcy	13.1	75
49 S	Dayton P. & L.	35	2.00	5.7	2.74d	D4	qy	12.8	73
23 S	Delaware P. & L.	24	1.20	5.0	1.64m	D17	qy	14.6	73
6 O	Derby G. & E.	21	1.40	6.7	1.45d	D30	qc	14.5	97
164 S	Detroit Edison	23	1.40	6.1	1.67m	D3	b	13.8	84
89 C	Duke Power	85	4.75	5.6	5.69d	D20	bq	14.9	84
7 O	El Paso Electric	22	1.20	5.5	1.84f	6	my	12.0	65
9 S	Empire Dist. Elec.	22	1.40	6.4	2.10d	1	qy	10.5	67
4 O	Fitchburg G. & E.	46	3.00	6.5	3.12d	D15	a	14.7	96
25 S	Florida Power Corp.	20	1.20	6.0	1.46m	1	qy	13.7	82
55 S	Florida P. & L.	29	1.40	4.8	2.52m	3	qy	11.5	56
137 S	General Pub. Util.	22	1.40	6.4	1.84d	D12	qy	12.0	76
5 O	Green Mt. Power	16	1.20	7.5	1.88f	14	qy	8.5	64
33 S	Gulf States Util.	22	1.20	5.5	1.67m	D3	my	13.2	72
18 C	Hartford E. L.	47	2.75	5.9	2.76m	D6	qy	17.0	100
4 O	Haverhill Electric	33	2.40	7.3	2.59d	D17	qc	12.7	93
41 S	Houston L. & P.	19	.80	4.2	1.49m	13	my	12.8	54
17 S	Idaho Power	37	1.80	4.9	3.12m	22	qy	11.9	58
51 S	Illinois Power	37	2.20	6.0	2.78m	D9	b	13.3	79
31 S	Indianapolis P. & L.	35	2.00	5.7	3.33m	1	qy	10.5	60
15 S	Interstate Power	9	.60	6.7	.86m	8	qy	10.5	70
16 O	Iowa Elec. L. & P.	15	.90	6.0	1.48m	D9	my	10.1	60
24 S	Iowa-Ill. G. & E.	26	1.80	6.9	2.12d	D17	qy	12.3	85
25 S	Iowa Power & Light	23	1.40	6.1	1.89d	2	bq	12.2	74
22 O	Iowa Pub. Service	20	1.20	6.0	1.81f	D4	b	11.0	67
9 O	Iowa Southern Util.	16	1.20	7.5	1.19f	NC	b	13.4	101
36 S	Kansas City P. & L.	29	1.60	5.5	1.79m	2	b	16.2	89
16 O	Kansas Gas & Elec.	32	2.00	6.3	2.93f	D9	my	10.9	68
29 S	Kansas Pr. & Lt.	17	1.12	6.6	1.32m	D8	qy	12.9	85
27 O	Kentucky Utilities	16	1.00	6.3	1.41d	D4	qy	11.3	71
5 O	Lake Superior D. P.	27	1.80	6.7	2.63d	4	qy	10.3	68
6 O	Lawrence G. & E.	39	2.40	6.2	2.65d	D15	qc	14.7	91
53 S	Long Island Lighting	16	.90	5.6	1.28m	32	qy	12.5	70
35 S	Louisville G. & E.	37	1.80	4.9	3.15m	14	qy	11.7	57
6 O	Lowell Elec. Lt.	43	3.35	7.8	3.70d	D7	qc	11.6	91
8 O	Lynn G. & E.	26	1.60	6.2	1.56d	D26	a	16.7	103
6 O	Madison G. & E.	31	1.60	5.2	2.47d	7	q	12.6	65
3 C	Maine Public Service	16	1.20	7.5	1.46f	5	my	11.0	82
97 S	Michigan G. & E.	28	1.80	6.4	2.67m	9	qy	10.5	67
66 S	Middle South Util.	23	1.20	5.2	1.69m	8	qy	13.6	71
112 S	Minnesota P. & L.	35	2.20	6.3	3.18m	D5	my	11.0	69
17 S	Missouri Edison	10	.70	7.0	1.14m	D4	qy	8.8	61
6 C	Missouri P. S.	17	.90	5.3	1.56m	—	qc	10.9	58
65 S	Missouri Utilities	16	1.00	6.3	1.62d	13	qy	9.9	62
27 S	Montana Power	27	1.55	5.7	2.51m	1	my	10.8	62
13 C	Mountain States Pr.	12	.84	7.0	1.22m	3	qy	9.8	69
105 S	New England Elec.	13	.90	6.9	1.31d	D8	qc	10.0	69
34 O	New England G. & E.	14	1.00	7.1	1.26m	D10	b	11.1	79
38 O	New Orleans P. S.	41	2.25	5.5	2.63f	D8	my	15.6	86
2 O	Newport Electric	28	2.00	7.2	2.33m	D18	my	12.0	86
57 S	N. Y. State E. & G.	31	1.70	5.5	2.41m	12	my	12.9	71
176 S	Niagara Mohawk	26	1.60	6.2	1.93m	24	qy	13.5	83
89 S	North American	22	1.20	5.5	1.26d	D14	qy	17.5	95
51 O	Northern Ind. P. S.	24	1.52	6.3	2.22m	—	c	10.8	68
89 S	Northern States Pr.	11	.70	5.8	.91m	—	qy	12.1	77
8 O	Northwestern P. S.	11	.80	7.3	1.28m	—	qy	8.6	63
96 S	Ohio Edison	34	2.00	5.9	2.67m	D1	mcy	12.7	75
29 S	Oklahoma G. & E.	23	1.40	6.1	1.78m	19	qy	12.9	79
13 O	Otter Tail Power	21	1.50	7.1	1.70m	D21	c	12.4	88
279 S	Pacific G. & E.	34	2.00	5.9	2.08d	D5	bq	16.3	96

PUBLIC UTILITIES FORTNIGHTLY

1951 Rev. (Mill.)	(Continued)	5/6/52 Price About	Div. Rate	Cur- rent Yield	—Share Earnings*—			Price- Earnings Ratio	Div. Pay- out
					Cur. Period	% In- crease	Freq. Of Re- ports**		
20	O Pacific P. & L.	17	1.10	6.5	1.54m	22	my	11.0	71
85	S Penn Power & Light	28	1.60	5.7	2.39m	14	my	11.7	67
7	C Penn Water & Power	40	2.00	5.0	2.24d	—	qc	17.9	89
165	S Philadelphia Electric	30	1.50	5.0	2.09m	D8	qy	14.4	72
25	O Portland Gen. Elec.	28	1.80	6.4	2.80m	1	c	10.0	65
43	S Potomac Elec. Power	15	.90	6.0	1.12d	22	qy	13.4	80
49	S Pub. Serv. of Colo.	28	1.40	5.0	2.15m	1	qy	13.0	65
201	S Pub. Serv. E. & G.	26	1.60	6.2	2.13d	34	qc	12.2	75
50	S Pub. Serv. of Ind.	30	1.80	6.0	2.23m	9	c	13.5	81
17	O Public Serv. of N. H.	26	1.80	6.9	1.75m	20	mcy	14.9	103
7	O Public Serv. of N. M.	9	.56	6.2	.84d	5	qy	10.7	67
21	O Puget Sound P. & L.	19	.80	4.2	1.62d	D12	my	11.7	49
38	S Rochester G. & E.	36	2.24	6.2	2.45m	—	qy	14.7	91
8	O Rockland L. & P.	11	.60	5.5	.68d	D3	b	16.2	88
29	O San Diego G. & E.	14	.80	5.7	1.28m	10	b	10.9	63
11	S Scranton Elec.	15	1.00	6.7	1.05m	D11	my	14.3	95
5	O Sierra Pacific Power	24	1.60	6.7	1.95m	D9	my	12.3	82
118	S So. Calif. Edison	34	2.00	5.9	3.03m	11	qy	11.2	66
23	S So. Carolina E. & G.	10	.60	6.0	.57f	D10	mcy	17.5	105
4	O Southern Colo. Pr.	10	.70	7.0	.82n	5	c	12.2	85
154	S Southern Company	14	.80	5.7	1.15m	12	my	12.2	70
11	S So. Indiana G. & E.	22	1.50	6.8	1.95m	D11	mcy	11.3	77
2	O Southwestern E. S.	14	.88	6.3	1.41f	8	—	9.9	63
23	O Southwestern P. S.	19	1.12	5.9	1.35m	16	mcy	14.1	83
6	S St. Joseph L. & P.	26	1.60	6.2	1.98d	3	qy	13.1	81
13	C Tampa Electric	39	2.40	6.2	3.03m	D9	my	12.9	79
82	S Texas Utilities	35	1.68	4.8	2.69m	25	qy	13.0	62
31	S Toledo Edison	11	.70	6.4	.96m	1	qy	11.5	73
7	O Tucson G. E. L. & P.	26	1.60	6.2	2.55m	18	bq	10.2	63
23	O United Illum.	41	2.40	5.9	2.38d	D16	—	17.2	100
2	O Upper Peninsula Pr.	16	1.20	7.5	1.40d	D2	bq	11.4	86
24	S Utah Power & Light	30	1.80	6.0	2.35m	D6	mcy	12.8	77
69	S Virginia E. & P.	24	1.40	5.8	1.76m	5	mcy	13.6	80
100	S West Penn Elec.	32	2.00	6.3	2.75f	D7	c	11.6	73
54	O West Penn Power	37	1.85	5.0	2.14d	D8	qy	17.3	86
8	O Western Lt. & Tel.	24	1.60	6.7	2.18m	8	qy	11.0	73
19	O Western Mass. Cos.	30	2.00	6.7	2.10d	D22	qc	14.3	95
73	S Wisconsin E. P.	22	1.30	5.9	1.94d	2	qy	11.3	67
26	O Wisconsin P. & L.	18	1.12	6.2	1.49d	4	qy	12.1	75
Averages				6.1%				12.7	77%
Canadian Companies††									
134x	C Brazilian Trac. L. & P. ..	11	1.00	9.1	2.35x	4	qc	4.7	43
15	C Gatineau Power	18	1.20	6.7	1.30d	D11	qc	13.8	92
8	C Quebec Power	18	1.00	5.6	1.17d	D11	qc	15.4	86
37	C Shawinigan Water & Pr. ..	39	1.45	3.7	1.84d	D7	qc	21.2	79
16	C Winnipeg Elec.	36	2.40	6.7	2.26d	D7	a	15.9	106

x—Year, 1950. n—November, 1951. d—December, 1951. j—January, 1952. f—February, 1952. m—March, 1952. B—Boston Exchange. C—Curb exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. D—Decrease. E—Estimated. NC—No comparable figures available. PF—Pro forma. *If additional common shares have been recently offered, earnings are adjusted to give effect to the offering. Percentage change is in the balance available for common stock. ††While these stocks are listed on the Curb, Canadian prices are used. (Curb prices are affected by exchange rates, etc.) #Stock dividend also paid in 1951. **The following symbols are used in this column to indicate the periods and frequency of earnings reports: a—Calendar year only. b—Twelve months only (reported monthly). bq—Twelve months only (reported quarterly). c—Cumulative months and twelve months. m—Month only. mc—Latest month and cumulative months. mcy—Latest month, cumulative months, and twelve months. may—Latest month, three months, and twelve months. my—Latest month and latest twelve months. q—Latest quarter only. qc—Quarters cumulatively. qy—Latest quarter plus last twelve months.

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What Others Think

Peacetime Use of Atomic Energy



THE use of the atom as a source of heat energy for the ultimate production of electrical energy may not be as far off as many are inclined to think. Although refusing to "go out on a limb," Commissioner T. Keith Glennan of the Atomic Energy Commission, speaking before the annual conference of the Southeastern Electric Exchange, gave occasion for optimism with his report on recent developments in the atomic energy program. Pointing out that, while the major effort of the atomic energy program has been to satisfy military demands, Glennan added, "now we are beginning to push ahead to meet a broader market." "Within the commission," he said, "we feel a strong compulsion to press vigorously these developments which give promise of achieving the generation of power from the use of nuclear fuels."

Some of these developments include the recent demonstration of a nuclear-powered generator and progress in the more fundamental work of making such generation economical. Though competent analysts agree that atomic power is technically feasible, he said, their enthusiasm begins to waver when the economic factors involved are considered. Great effort is being directed toward decreasing the capital outlay for the basic instrument—the nuclear reactor—which controls the nuclear chain reaction.

GLENNAN said that the activities of AEC's reactor development division, in operation for three years, are now beginning to pay off. A land-based prototype of a reactor suitable for submarine propulsion is now being constructed. When completed it will develop a significant amount of power. Said Glennan:

Much of the technology gained in this program will apply directly to the development later on of central station power plants. If a nuclear reactor can be crammed into the confined quarters of a submarine, it certainly should be operable in the wide open spaces of a conventional power plant.

Work is also going forward on the development and design of a reactor for aircraft, Glennan indicated. To support these projects, research reactors have been constructed, the first of which was demonstrated last summer, in an attempt to evaluate the possibilities of producing more fuel than is used in the process. In this first demonstration, enough heat was removed to make steam adequate enough to operate a 100-kilowatt power plant—the first instance of the production of useful atomic power.

Many of the answers to the problems involved in the construction of reactors have been found in the commission's development and design of mobile power plants for military use and, in addition, Glennan said, the tangible interest of the electric industry is beginning to make itself felt. The result is the industrial participation program recently launched by the commission.

GLENNAN revealed that AEC had asked industrial and utility companies to make preliminary studies of the practicability of privately financed design, development, and possibly of the construction and operation of reactors for the production of fissionable materials and power. Four groups responded to AEC's invitation, were given access to confidential information, and submitted interim reports. Glennan announced that a proposal from the Dow Chemi-

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cal Company-Detroit Edison Company group has been accepted by AEC. Commented Glennan:

The significant fact is that one of these combinations of companies has decided that, as of the present moment, the prospects of economic atomic power are sufficiently promising that it will continue to spend its own money both to expedite developments and to keep itself currently informed on the total program.

A second round of these power feasibility studies has begun, according to Glennan. He told his audience that "through the medium of these continuing close contacts with private enterprise we hope not only to add to the talent and technical ability of our own staff but also to gain somewhat from the competitive situation which will emerge in time." He continued:

It is our opinion that, ultimately, business and industry should take over in this field. We believe that it is our responsibility to tackle only those problems which cannot suitably be handled by competition at this stage of the game or which we must tackle to discharge our national security responsibilities. Governmental activities should provide the fundamental knowledge necessary to permit the full-blown operation of the private enterprise sys-

tem. The government should not be carried away by its own importance nor should it attempt to direct the future course of an industry except as may be required for national defense.

GLENNAN said he considered the creation within AEC of an Office of Industrial Co-operation, established May 1st, as a most significant step. Dr. William Lee Davidson, director of physical research for the B. F. Goodrich Company, has been named to head the new office. The creation of this new office, Glennan pointed out, means that "there will now be one particular point of contact where there will reside positive responsibility to foster wider industrial participation in the commission's program and the development, as may be possible, of a more normal competitive approach to segments of our business."

Commissioner Glennan concluded his address on a note of optimism. "I feel that the future of atomic power is bright," he said. Though he refused to make any guesses as to the time when economic power from nuclear fuels will be an important factor in the nation's economy, he pointed to previous commission statements that "it is possible that within the next five to ten years economically feasible reactor power-generating stations may be demonstrated in particular sections of the country."

What Should a Technical Education Offer?

WHY does a youngster go to a technical school? What should he expect to get out of a technical education? How adequate are the present teaching methods in the technical schools? These were the questions recently presented before the College-Industry Conference at the Massachusetts Institute of Technology by Martin J. Bergen of E. I. du Pont de Nemours & Company, Inc. Mr. Bergen noted the "ingenious process," going on for some time, of adding new courses to the engineering curricula in

an attempt to keep up with the fast-moving developments in technology. The results have been more frequent complaints from faculties and students alike of excess work, and from engineering societies and American Society for Engineering Education, who have begun to question the type of quality of education undergraduates are receiving.

Bergen termed various experiments which have been tried in the last few years—the 5-year Bachelor's program in engineering, the gradual growth toward

WHAT OTHERS THINK

the technical university with two or three years in co-operating arts colleges — as straws in the wind, indicating a need "for a reappraisal of the situation."

Concerning the first question — what does a youngster go to a technical school for?—Bergen revealed that the two answers he usually gets in interviews are: (1) they like engineering; (2) they want to get ahead in life. Though many do well in their schoolwork, Bergen continued, they find upon exposure to the industrial world that they have no enthusiasm for particular kinds of engineering work. "They show this lack of a goal, in their restlessness, in their desire to change, and in their inability to picture in their mind's eye just what it is they are striving to do."

IN aiding these young men to orient themselves, Mr. Bergen developed his own concept of what an undergraduate should expect to get out of a technical school: (1) a general but not universal knowledge of the language of science, through mathematics; (2) a knowledge of the general grammar of science through the study of such sciences as physics and chemistry; (3) knowledge and proficiency in the application of both these branches; (4) mastery and proficiency in the graphical language of engineering, "the universal language of industry," so that he will be able to transmit ideas as instructions to industrial men.

These four, Mr. Bergen continued, on the whole constitute the major portion of many engineering school curricula. But, he added, "we find many young men well equipped as far as these pursuits are concerned, who still fail in their own estimation to make the progress that they wish to make." Bergen listed several reasons for this situation:

1. It is necessary for the engineer who wishes to be a success to acquire real mastery in the written and spoken mother-tongue, and of all of the nuances in its use. It, therefore, becomes necessary for the undergraduate to realize that the mere knowledge

of the written and spoken word is not the criterion by which to measure this proficiency, because this field covers the entire gamut of the fine arts, literature, and many of the social sciences which have not as yet been capable of being reduced to quantitative mathematical terms.

2. The undergraduate should expect to learn something of the language of emotion, and he will find that this field overlaps the preceding field, but that personal experimentation, in his limited world, also comes into the picture.

3. The undergraduate must expect to either learn, relearn, or add to a code of ethics which will stand him in good stead and carry him through times of stress and trouble.

4. Finally, the undergraduate should expect a continuance of maturing processes which he (at the usual age of undergraduates) is undergoing.

"NONE of the last four points," Bergen pointed out, "are intimately associated with any particular engineering curriculum." On the contrary, he said, such a program parallels very closely the definition of Liberal Arts. Noting that some technological schools and university-type schools are now working on the last four points, Bergen continued:

... Either our knowledge of, or attitude to technology has changed, or we now see that the Liberal Arts are also Industrial Arts, where free men are concerned, because it has become very essential to study the impact of technology on individuals and groups. We, as engineers, cannot remain content with our conquest of nature unless we take cognizance of the results of our efforts in the field of human relations as well as in the field of applied science. For these reasons it becomes most essential for the engineer that the fields of fine arts, emotion, and ethics... are not the prerogative only of Liberal Arts schools. It has become almost mandatory that engineers acquire an interest in a knowledge of and proficiency in these fields, if they have any

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hope of success in leadership in our present American industrial world.

The problem then is one of streamlining knowledge, Bergen said, and not merely adding more courses to an already crowded curriculum. An undergraduate must be given what Bergen calls a "structural 'know why'" at the outset so that he will have some comprehension of what he is trying to do in all the various fields involved in a technical education.

BERGEN told his audience that 50 per cent of every dollar paid to a graduate engineer is paid to him for "psychological and personality" factors—cooperation, initiative, and creativeness, judgment and common sense, supervisory ability or leadership. The other 50 per cent goes to him for what he learned in college and high school. As a man progresses the ratio changes until, if he is the average successful engineering supervisor, he is paid two out of three dollars for the same psychological factors.

Stressing the importance of these psychological factors, Bergen stated as follows:

... a man who has mastered the art of communicating with others on the basis of the general language of engineering, the universal graphical language of industry, sometimes called drafting and design, and in the written and spoken nuances of his mother-tongue, assists in getting the world's work done, with a minimum amount of friction, emotional disturbance, and destructive use of human energy. The youngster comes to us with his abilities in these fields, latent and potential.

Perhaps, he has gotten some training in connection with these fields, as a result of his study in nontechnical subjects, as he calls them—courses in psychology and sociology — perhaps even a stray course in fine arts. He derives a great deal of training in these fields from his extra-curricular activities on and off the campus, and learns,

without knowing it, a great deal about emotions during this period. However, except for the gifted individual, whose intuitive guidance leads him securely to the right answers, many of these boys do not understand either the importance or significance of this portion of their training — the training that makes them capable of getting along with others, yet steadfast in refusing to go along when their code of ethics is broken. This entire field is the field which provides leadership for the common man, and it has been steadily neglected in our engineering schools.

Bergen asked whether it is not time to re-examine curricula and teaching methods with a view to streamlining, "without loss of clarity, or definition in a number of courses," in all of these fields. The alternative will be more crowding of the curriculum.

Acknowledging that today there are more kinds of engineering than was ever dreamed of, Bergen warned:

... We also find our engineers not too well equipped to assume the rôle that is being thrust upon them, that of American industrial, and possibly eventually world leadership, because of their overintensity upon the technological pursuits, and their failure to keep in close touch with the common man—the individual they must lead.

BERGEN concluded with a few words of advice to engineering undergraduates. Recalling the words of an old technical song—"Oh, give me some ology—any old kind of ology"—Bergen suggested some "ologies" they might consider as they look around the compass: as we protect ourselves from the North—meteorology, radar, all the protective sciences, and engineering; as we look toward the South—a hope that nuclear technology will give us, not wartime disaster, but greater fruits and benefits; as we look toward the West—sociology, psychology, and human relations, remembering those Americans who built

WHAT OTHERS THINK

the West; and finally, looking toward the East—the hope that there may rise an extension of our ethics and ideology, and

our theology, which will help keep our country and its institutions intact, thus ensuring a long and honorable peace.

Eastern-state Revolt Seen against Reclamation Program

THE seeds of an eastern-state revolt against reclamation and power projects are being sown by the Bureau of Reclamation, according to Representative J. Ernest Wharton, Republican Congressman from New York. "The wild, reckless spending programs of the Reclamation Bureau," Wharton said, "have brought many eastern Congressmen . . . to the realization that in the interest of national economy such programs must be halted."

He stated further:

The unhinged policies of the bureau, as advocated by Commissioner Michael W. Straus and other Interior Department officials, can no longer be tolerated. Unsound, costly projects are being advocated by them before Congress in increasing numbers.

With these extravagant, illogical plans they are sowing the seeds of an eastern-state revolt against western development.

Wharton complained that the larger part of the cost of these projects must be borne by the eastern states and warned that "The tolerance of the East is not inexhaustible." He cited as an example the proposed Central Arizona project, which he estimates would cost the taxpayers of New York over \$300,000,000 in lost interest alone.

The Republican Congressman pointed to the original reclamation laws written on the basis that costs for western projects were to be repaid to the U. S. Treasury, and commented:

If reclamation and power development of the West is to be continued, it had better be returned, as much as possible, to a sound business basis. Otherwise, the East is obliged to crack down.

I do not propose to permit the people of my district to be burdened with enormously unfair additional tax loads, and I do not believe other eastern representatives will permit it.

WHARTON charged the present proposals of the Reclamation Bureau with being "socialistic, or even communistic," and said they would place in the hands of a few bureaucrats in Washington "absolute control of the economy of the West."

At the same time, he continued, these programs would place on the eastern taxpayers who pay the larger share of Federal taxation, "totally unfair and unjustified additional burdens."

Unless stern measures are forthcoming to replace "wild and weird" proposals with sound propositions, he concluded, "the western reclamation and power programs are facing destruction."

Notes on Recent Publications

CHEMICAL CHARACTER OF FLORIDA'S WATERS—1951. There has recently been published, and available upon request without charge to seriously interested parties, a 112-page analysis of fresh water supplies in every area in Florida, together with multicolored maps and tables showing such detailed data as well as depth, elevation, and ingredient sup-

ply, such as silica, iron, calcium, magnesium, sodium and potassium, bicarbonate, sulfate, chloride, nitrate, and total hardness. *Chemical Character of Florida's Waters—1951.* Water Survey & Research Paper No. 6. State of Florida, State Board of Conservation, Tallahassee, Florida. Copies free of charge.



The March of Events

In General

Canada Agrees to Proposal

CANADA has agreed to a U. S. proposal to refer the high water level problem on Lake Ontario to the International Joint Commission for study and recommendations, the State Department disclosed recently.

In a note delivered to the American Embassy, Canada said it was prepared to concur in the U. S. suggestion "on the understanding that the reference will be drafted in such a manner that the commission will not delay consideration of the St. Lawrence project."

The note also pointed out that it had been agreed to refer the St. Lawrence project to the commission "immediately" and that this phase of the project should not be delayed by the new reference to the commission of high water level problems.

The International Joint Commission consists of three American and three Canadian members. It was set up under the boundary waters treaty of 1909.

Commission Changes

ASSISTANT Secretary of Interior Dale E. Doty's appointment to the Federal Power Commission membership has been confirmed by the U. S. Senate. Following closely upon Senate Commerce Committee favorable action, the appointment was approved without opposition. Doty will serve on the commission, filling out the unexpired term of former Chairman Mon C. Wallgren. (See, also, page 787.)

President Truman thereupon nominated the present FPC chairman, Thomas C. Buchanan, for a full 5-year

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term ending in 1957. Buchanan started his career as an FPC member with an interim appointment provided during congressional adjournment in 1948. Little opposition to confirming Buchanan is expected.

Clarence H. Adams of Connecticut has been sworn in as a member of the Securities and Exchange Commission to fill the vacancy left when former Chairman McDonald left the SEC to become Director of the Reconstruction Finance Corporation.

Hell's Canyon Hearings

THE Senate Interior Affairs Committee was scheduled to open hearings on Hell's Canyon dam in late May, or early June, according to the committee's chairman, Senator O'Mahoney (Democrat, Wyoming). The committee will take up the Morse Bill (S 2812) which is identical to the Murdock Bill (HR 5743) on which hearings have been held in the House. The opposition of the Idaho delegation is believed to indicate that the bill will not emerge from the Senate committee.

O'Mahoney's announcement is taken as an indication that O'Mahoney will go along with the administration (at whose request the bill was introduced in the House), but the committee majority membership has grave doubts about how much it can do beyond the holding of formal hearings.

House Passes Santa Margarita Bill

THE U. S. House of Representatives on May 12th passed and sent to the

THE MARCH OF EVENTS

Senate a bill designed to settle a controversy between the government and local residents over waters of California's Santa Margarita river. The bill was passed without a record vote after a dozen House members, both Republican and Democratic, spoke for it. There were no opposing speakers.

Introduced by Representative Clinton McKinnon (Democrat, California), the bill would authorize construction of the

\$22,000,000 Deluz dam on the river for the joint use of Navy installations and farmers, mostly avocado growers, in the Fallbrook district.

Supporters of the bill said it would not halt a suit the government has filed against other water users, but would make it unnecessary by furnishing adequate water both for the Navy's Camp Pendleton Marine base and for private owners.

Michigan

Cities Must Get Notice of Rate Changes

GOVERNOR Williams last month signed into state law a bill requiring that all cities be given notices of proposed

public utility rate increases and prohibiting the state public service commission from acting on rate increase petitions until receiving a report from its technical staff.

Nebraska

New Snags in Power Pact

NEW difficulties over Nebraska public power district-Reclamation Bureau contracts have threatened three years of negotiations. Public power district officials recently told members of their congressional delegation that the immediate prospects are disheartening. Criticism of bureau objectives has grown since Reclamation's Federal headquarters refused to go along with terms agreed to, in the field, between Ne-

braskans and bureau regional officials.

Contract changes sought by the bureau would endanger the state's public power system and set the stage for federalization under bureau aegis, according to power district representatives. The bureau takes the position that it must support and seek funds for any request for bureau power by a power district customer. This, power district spokesmen said, could lead to the duplication of transmission lines or turn the districts into a mere wheeling system.

New York

New Policy on Pensions Announced

THE state public service commission recently announced a new policy under which pensions paid to retired employees of companies under its jurisdiction may be added to other operating expenses as a base for rates.

The commission could not estimate how much, if any, increase in consumer rates would result from the new policy, which is to become effective next Jan-

uary 1st, but will be retroactive to last January 1st.

Although there are 2,987 utilities under regulation by the commission, only 700 or 800 are large enough to have pension costs of considerable size. Of the total 2,987 companies regulated by the commission, 2,396 are trucking firms, all but 150 of which are independent or very small companies with no pension plans at all. In the other fields coming under the commission's jurisdiction, there are 349

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bus companies outside New York city, 130 gas, electric, and steam companies, 127 telephone and telegraph companies, and 100 private waterworks. Most of these utilities have pension plans.

The New York commission first decided to allow pension costs to be added to current operating expense as far back as March 9, 1950, when Commissioner Spencer B. Eddy wrote in an official opinion: "Employee pensions can no longer be regarded as gifts or favors, but must be treated as part of employee's

compensation and allowed as current operating expenses."

Following two years' study of details, the commission has now ruled that "all costs of a reasonable pension plan not provided heretofore will be allowed as operating expense in determining rates."

Determination as to whether the pension plan is "reasonable," it was indicated, will depend largely on whether the plan is acceptable to the Federal internal revenue commissioner for tax purposes.

West Virginia

Sanctions Transfer of Stocks

THE state public service commission recently sanctioned the transfer of stocks by two subsidiaries of the Columbia Gas System for financing expansion programs and the transfer of properties by two power firms.

The United Fuel Gas Company sought permission to finance a \$13,800,000 construction and gas storage program through a transfer of finances and loans with its parent company, the Columbia Gas System. United said in the joint petition that it would get \$10,800,000 through loans and that Columbia would contribute \$3,000,000.

The transaction also calls for Columbia to forgoe \$6,000,000 in loans to United and permits short-term advances not to exceed \$6,350,000.

In a similar arrangement, Amere Gas Utilities Company received permission to sell \$450,000 worth of loan notes it holds to its parent concern, Atlantic Seaboard Corporation. Atlantic also will purchase 18,000 shares of common stock valued at \$25.

Amere said the funds would be used to finance an expansion program this year for which it would need \$928,918.

The Potomac Light & Power Company received permission to acquire all of the West Virginia properties of the Northern Virginia Power Company by transferring a number of shares of its stock to the Potomac Edison Company. Potomac Edison also will acquire 54,200 shares of capital stock of the South Penn Power Company so South Penn can acquire the West Virginia properties of the Franklin Transmission Company.

Wisconsin

State Law Ruled Unconstitutional

THE state supreme court on May 6th ruled unconstitutional a state law giving county boards the final say on scenic values in the construction of power dams. Reversing the Dane County Circuit Court in two cases, the high state tribunal held that appeals to block permits issued to the Namekagon Hydro Company and the Winter Electric Light & Power Company must be reviewed.

As a result of the court's unanimous decision, written by Justice George Currie, the Winter dam case was sent back to the circuit court while the Namekagon dam case went all the way back to the state public service commission.

The state commission had granted permits for both dams, stating that the county boards already had approved them and that there was no point in attempting to make any findings on the basis of recreational values.



Progress of Regulation

Utility Stockholders Not Entitled to Additional Compensation For Decline in Value of the Dollar

THE Wisconsin commission granted an electric rate increase, to be effective as soon as the initial unit of a new generating plant is placed in service. The commission concluded that a return of 6 per cent was just and reasonable. It believed that under prevailing market conditions such a return would permit the company to raise additional capital necessary for public utility purposes at a reasonable cost, including a proper proportion of equity capital.

Net investment cost was approved as a rate base standard despite the company's contention that the commission should consider reproduction cost or current cost. The commission held that it is not required by law to consider standards of value other than investment cost.

Herbert B. Dorau, chairman of the department of public utilities and transportation, New York University, urged that the rate of return applicable to a past-cost rate base should be sufficient to reflect the decline in the purchasing power of the past stockholder investment due to current inflation. He arrived at a return of 7.75 per cent applicable to a "past-cost rate base."

A return of 6.25 per cent, he concluded, would be fair and reasonable if applied to a rate base adequately reflecting present costs or the investment in terms of present legal and economic-size dollars. Return requirements suggested by him exceeded those presented by company officers and would require a greater

rate increase than that requested by the company.

This disparity in the rate of return requirement lies in the definition of the capital attraction standard. Mr. Dorau considers past investment as captive capital with no opportunity to hedge against inflation. The commission rejected his theory. It said that stability of dollar earnings and relative security of investment have been features of utility investment which have been sought after by both investors and those charged with the duty of regulation. Consequently, utilities have been able to secure equity capital at relatively low costs.

The commission observed that the ability of utilities to continue to attract equity capital at favorable rates during the current inflationary period is indicative of the fact that there still remains a substantial segment of the investing public to whom attractiveness of stability of earnings and security of investment outweigh the attractiveness of an inflation hedge. The plea for a return which would compensate stockholders for declines in the value of the dollar was considered a plea for an escalator clause corresponding to the cost-of-living clauses in union wage contracts and analogous to the farm product parity pricing policies of the Federal government.

The commission noted that during any period of price inflation there remains a very large segment of the public which is helpless to protect itself against the effects of inflation. It cited the millions of

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people of small incomes as an example. These people, the commission said, would be discriminated against by a standard of utility rate making which undertakes to compensate utility common stockholders for price inflation. The commission said:

The refusal of this commission to embark upon the course suggested by Mr. Dorau is not motivated by a lack of courage, but rather a conviction that to do so would only aggravate the inequities. Even among the investors in this company there would result a patent discrimination not only between the bond and preferred stockholders on the one hand and the common stockholders on the other, but also among the common stockholders themselves. It would result in a wind-fall to these who purchased stock with inflated dollars as against those who purchased stock with prewar dollars.

It is simply beyond the power of regulatory commissions to cure inflation or equalize the inequities resulting therefrom. Apparently current

purchasers of utility common stocks are either oblivious of or unconcerned with the need for inflationary hedges. So long as the "phenomena" of a willingness to buy utility common stocks on a comparatively low-yield basis continues, a regulatory commission cannot be regarded as an instrumentality of discrimination in being guided accordingly.

Furthermore, the commission pointed out, the company's claims with respect to the effect of inflation on the cost of capital were not supported in the security markets. It preferred to accept the actual behavior of the market rather than speculate as to the future, and as yet undisclosed, preferences of investors. Investors themselves determine the cost of equity capital under the basic laws of supply and demand and relationship of price to earnings. The commission said that when and if such investors require higher yields on public utility equity securities, it will accept such requirements. *Re Wisconsin Electric Power Co. 2-U-3691, April 25, 1952.*



One-third of Electric Rate Increase Goes for Taxes

THE Wisconsin commission authorized a small electric utility to increase its rates by about \$1,800. Over one-third of the increase was for the payment of additional income taxes.

The new rates would permit the com-

pany to pay increased wages and still provide a return slightly in excess of 6 per cent on a net book value, plus working capital, rate base. *Re Iron River Electric Transmission Co. 2-U-3720, April 25, 1952.*



Common Stock Rather than Long-term Debt Disapproved

THE Massachusetts Department of Public Utilities refused to authorize the issuance of common stock to finance necessary plant additions and improvements where the company could finance them with a long-term debt issue at a considerably lower expense to the public. The department said that it must consider the interests of the ratepayers as well as those of the stockholders. The issuance of common stock would impose an added burden upon the ratepayer.

This could be avoided by the issuance of long-term debt securities.

The company's sole stockholder was also the sole holder of its long- and short-term indebtedness. If it were assumed that the stockholder was entitled to a 6 per cent return on his capital investment in the company, earnings of over \$300,000 before Federal income taxes would be required if the holdings were represented completely by common stock capital. On a 50 per cent stock

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and 50 per cent debt ratio, as permitted by statute, the company would be required to earn only \$200,000 to provide the same rate of return on equity. Consequently, the department concluded that it was contrary to the public interest to authorize common stock. It said:

We reach this conclusion with considerable reluctance as the department has generally endeavored not to interfere with management in its decisions as to the methods used to raise additional capital funds. However, we be-

lieve it is our duty, in the public interest, to keep down the cost of capital if it is evident that the financial stability of the utility will not be seriously affected.

The department found that the issuance of additional long-term debt would result in a debt ratio of slightly under 37 per cent as compared with 63 per cent stock and surplus. It did not believe that such a ratio was excessive. *Re Old Colony Gas Co. DPU 9866, March 5, 1952.*



Electric Company Authorized to Furnish Natural Gas Service

An electric company was authorized by the Missouri commission to construct, own, operate, and maintain natural gas transmission lines and a gas distribution system. A natural gas company serving an adjacent area intervened and claimed that with its presently installed and authorized facilities it could render, within this territory, a more adequate service on a more economic basis than could be rendered by the electric company.

The commission believed that the electric company would be able to serve the public long before the intervenor could do so.

It concluded that it should not deny the inhabitants in the territory the right to obtain gas at the first opportunity it is offered to them.

Commissioner Williams dissented on the ground that it was contrary to the public interest to permit an established electric utility to enter the natural gas business in conjunction with its electric operations. He pointed out that the underlying problem was recognized by Congress when it enacted the Public Utility Holding Company Act. This particular problem has been thoroughly considered and extensively discussed by the Securities and Exchange Commission.

Commissioner Williams recognized, however, that there were no similar provisions in the state law inhibiting

the common ownership of gas and electric utilities.

In several instances among the utilities in the state there is a commingling of electric and gas service under single ownership and management. But these situations arose many years ago when the natural conflicts between the two services were not so pronounced as they are now, in view of the technological advances in the use of electricity and gas. In these cases the two services have become so adjusted to each other as not to be objectionable except for the difficulty encountered in making separations and allocating the property and expenses for rate-making purposes.

In the present case, the end result would be a single utility company, 83 per cent of whose utility plant would be electric, serving a long-established business, and 17 per cent would be gas, serving a new and undeveloped field which in many respects is either now being served or could be as well served by electricity. The people in the area are unaccustomed to the use of natural gas and must be educated in its use. The service must be aggressively sold to the people. Commissioner Williams felt that if the company favored the more profitable and desirable electric business, its incentive would be to sell electricity and retard the sale of natural gas. *Re Arkansas-Missouri Power Co. Case No. 11,972, January 11, 1952.*

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Utility May Pass Income Tax Increase on to the Public

THE Tennessee commission approved telephone rates which were the minimum necessary to enable a company to earn enough to pay operating costs and taxes and to afford sufficient savings to attract additional capital required to further the company's improvement and expansion programs.

The commission said that it had no alternative but to pass Federal income taxes on to the public as operating ex-

penses and cited a Supreme Court case, *Georgia R. & Power Co. v. Railroad Commission*, 262 US 625, PUR 1923D 1, in which the Court stated flatly that income taxes were a proper operating charge.

A return allowance of 6 per cent was considered fair and a rate schedule approved which would provide this return. *Re Inter-Mountain Teleph. Co., Inc.* Docket No. U-3222, March 17, 1952.



Automatic Answering and Recording Service Approved on Experimental Basis

THE Michigan commission approved an application filed by a telephone company for authority to offer automatic answering and recording service to its customers on an experimental basis and for authority to establish rates for such service.

The company, in its application, indicated that demand existed for this type of service and that it proposed to furnish and maintain devices which would permit automatic answering and recording at unattended telephones without interfering in any way with the furnishing of satisfactory telephone service to the public.

The commission described the proposed service in these words:

Such devices are proposed to be physically connected directly to the telephone line. The customer will record on a disc or other suitable media the message he wishes calling parties to receive. Application of the ringing current to the line will activate the mechanism which reproduces the

message to the calling party. The calling party may then leave a message which is recorded and which can be reproduced at the customer's convenience. Thus, the calling party's name, telephone number, message, his order for goods or services, or other information, is recorded.

The commission indicated that it was aware that complaints had been filed with the Federal Communications Commission against the "foreign attachment" provisions of the interstate tariffs of Bell system companies, and also that a proceeding initiated by the Federal Communications Commission involving the use of telephone answering devices in interstate and foreign service was pending. The commission stated that the authorization given in the instant proceeding was without prejudice to a final determination of the issues involved in the FCC proceedings in so far as the same might relate to this company's intrastate service. *Re Michigan Bell Teleph. Co.* T-252-52.10, April 8, 1952.



Electric Power Contract Illegal under Antitrust Laws

THE United States Court of Appeals affirmed a district court order holding that a contract between three companies engaged in the business of generating electric energy for sale at whole-

sale was invalid under the antitrust laws.

The contract in question was made among Pennsylvania Water & Power Company, Consolidated Gas, Electric Light & Power Company, and the Safe

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Harbor Water Power Corporation. Penn Water and Consolidated had developed and financed Safe Harbor, and each held one-half of the voting stock. The contract provided, in effect, that Consolidated (a Maryland corporation) should be entitled to all the electric capacity and energy available to Penn (a Pennsylvania corporation) from one of its plants on the Susquehanna river and most of the energy produced by Safe Harbor, which energy would reach Consolidated through Penn's transmission lines. In return for this, Consolidated agreed to pay Penn its operating expenses.

The district court, after examining the terms of the agreement, had ruled that . . . its affront to the act consists of the investiture of Penn and Consoli-

dated with the absolute power to restrict the other, in the use and enjoyment by such other, of its rightful entitlement in Safe Harbor's production, as well as to restrict Safe Harbor in its freedom of contract and action generally.

The court of appeals did not consider that the Federal Power Commission's approval of the contract in question in a rate proceeding established its validity. The contract, the court said, was illegal in its inception under the antitrust laws and could not later become legal and valid. *Consolidated Gas, E. L. & Power Co. et al. v. Pennsylvania Water & Power Co. et al.* 194 F2d 89, affirming (1951) 90 PUR NS 409, 97 F Supp 952.



Fee Claimants in Reorganization May Not Trade in Affected Securities

THE Securities and Exchange Commission, in passing upon applications for fees and compensation in connection with a previously approved holding company reorganization plan, considered standards applied by the Federal courts in bankruptcy cases. It tried to effect the simplification objectives of the Holding Company Act as economically as possible and at a minimum of expense to the estate. The commission sought to protect the reorganization estate from exorbitant charges and at the same time to grant fair compensation to participants so as to afford adequate public representation in the reorganization process.

Compensation may be paid for services which have contributed to the plan ultimately approved, to the defeat of a proposed plan found to be unsatisfactory, or which have otherwise contributed to the development of the reorganization proceedings. The primary factor, the commission said, is the amount of benefit conferred upon the estate or its security holders.

Other factors considered were the necessity of the services, duplication of

efforts, the intricacy and magnitude of the problems involved, time necessarily spent, experience and ability of the applicants, the size of the estate and its ability to pay, and conflicts of interest. The commission also examined the extent to which claimant's efforts were motivated by personal or special interests, and whether the efforts unreasonably delayed or were detrimental to the proceedings.

The commission said that representatives of security holders in reorganization proceedings owe a duty of single-minded devotion free from any taint of adverse interest or desire for personal enrichment. Where there are purchases or sales of securities by those entrusted with a fiduciary responsibility, there exists the potentiality that the conduct of such fiduciary may be influenced by the desire for personal gain out of the security transactions. The reorganization process presents opportunities for obtaining information not generally available to the public, or at a time prior to public disclosure.

The subjection of public security hold-

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ers to the risk that their representatives and fiduciaries may put motives of personal profit above allegiance to the security holders or the estate must be avoided.

In observing that the allowance of reasonable compensation for service rendered in a reorganization "necessarily implies loyal and disinterested service," the commission said:

In the course of discussions between management and representatives of security holders, management frequently submits information which is not readily available to the public and which may be used by those seeking to profit from trading in securities affected by the reorganization. There can be no assurance that such persons fairly represent their class. When such

persons participate in negotiating terms of a plan, and management presents the resulting agreement as a compromise plan, it cannot be said to carry the same stamp of true arm's-length bargaining. It is essential that those who are working out the problems of a company under § 11 concern themselves solely with the interests of their class and the estate, and this is no less true of management and its counsel than of committees and their counsel and expert advisers. Otherwise there cannot be the full disclosure and free discussion essential to working out the conflicting claims of the various interests.

Re Electric Power & Light Corp. File Nos. 54-139, 59-12, Release No. 11175, April 21, 1952.



Reviewing Court May Not Amend Commission Order

THE supreme court of New Mexico reversed a trial court order which modified a commission decision granting a motor carrier certificate and pointed out that the trial court had exceeded its authority.

After a commission has issued its de-

cision, the supreme court ruled, a reviewing court may either affirm it or vacate it but may not change or amend the order by holding part of it lawful and other parts unlawful. *Transcontinental Bus System v. State Corp. Commission*, 241 P2d 829.



Other Important Rulings

THE United States Court of Appeals held that misrepresentation with respect to the distribution of stock and failure to make full disclosures concerning the behavior of a principal stockholder was sufficient to justify the denial of a license to operate an AM radio station, for which a permit to construct had been previously granted, and the denial of a permit to construct an FM station. *Independent Broadcasting Co. v. Federal Communications Commission*, 193 F2d 900.

Wage increases contingent upon the approval of increased rates, according to the Wisconsin commission, may not be considered in a rate proceeding; con-

sideration will be given only to firm commitments as to such increases. *Re Baldwin Teleph. Co. 2-U-3711, March 21, 1952.*

The United States Court of Claims held that a jeep, for the purpose of railroad freight classification, was a passenger vehicle. *Atchison, T. & S. F. R. Co. v. United States*, 101 F Supp 889.

The Alabama Supreme Court held that authority to operate a motorbus carrier should not have been granted a so-called riding club which purchased busses used to transport its colored members to and from work, where such members refused to ride on an existing

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carrier, whose facilities were adequate, for purely personal reasons. *Public Service Commission v. Higginbotham*, 56 So2d 401.

The Massachusetts Department of Public Utilities held that pupils' transit fares should be one-half adult one-way fares, and, notwithstanding that such a policy would effect a reduction in pupils' fares upon an application for a general increase, such a differential should be increased because a higher price for pupils' tickets would be unjust, unreasonable, and discriminatory. *Re Interstate Transit Corp.* DPU 9667, February 8, 1952.

An air carrier's application for a certificate permitting it to operate between several Pacific islands was denied by the Civil Aeronautics Board because the probable cost of the proposed service to the government, initially and in the foreseeable future, appeared to be too high in relation to the prospective public benefits. *Re Coleman (Samoan Airlines)* Docket No. 4579, January 9, 1952.

The Alabama Supreme Court dismissed an appeal from a commission order striking a petition for rehearing of an order granting a motor carrier certificate where an appellate court had previously held that the motor carrier was entitled to such certificate and where the supreme court had subsequently ruled that such decree was a final order and was the law of the case, because the commission could take no further action except to issue the certificate so long as the facts remained substantially the same. *Baggett Transp. Co. Inc. v. Avery Freight Lines, Inc.* 56 So2d 669.

The United States District Court held that the fact that the Interstate Commerce Commission granted authority to purchase the operating rights of a motor carrier in interstate commerce did not prevent the commission from reopening the proceeding for reconsideration on the record and properly reverse its position and deny the application without any

new evidence if the commission believed a mistake had been made. *Shein v. United States*, 102 F Supp 320.

The Kentucky Court of Appeals held that a proposed short track, 5.75 miles long, from a railroad yard to an industrial plant was a spur or industrial, rather than an extension, track, and construction over county roads could not be enjoined under the Interstate Commerce Act, because a certificate was not required. *Jefferson County v. Louisville & N. R. Co.* 245 SW2d 611.

The Colorado commission denied authority to transport livestock under a private carrier permit, notwithstanding the fact that existing common carriers failed to protest and none had authority to haul livestock, where no customers appeared at the hearing to state that they needed and would use the proposed service. *Re Robb, Application No. 11634-PP, Decision No. 38305, March 26, 1952.*

The New Jersey Department of Public Utilities noted that, in a proceeding to discontinue certain railway passenger trains, revenues and patronage are generally recognized as dependable measures of the extent of the use of service, but provide a less dependable gauge to test the requirements of public convenience and necessity, which is the paramount consideration rather than the failure to earn a proper return. *Re Pennsylvania R. Co. Docket No. 5936, April 9, 1952.*

The Wisconsin commission modified proposed telephone rates so that a return of 6.5 per cent would be realized. *Re Farmer's Mut. Teleph. Co. 2-U-3690, April 10, 1952.*

The Wisconsin commission disallowed proposed telephone rates that would yield a return of 7.6 per cent and prescribed rates that would yield a return of 6.5 per cent. *Re Midway Teleph. Co. 2-U-3705, April 9, 1952.*

The supreme court of Nevada ruled

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that a railroad was not required, under a "full crew statute," to include a fireman on the crew of its diesel trains when the evidence indicated that a fireman was not necessary on diesel trains, either to fulfill the usual duties of this position or to further the performance by the crew of its essential duties in regard to public safety. *Western Pacific R. Co. v. State*, 241 P2d 846.

The Wisconsin commission authorized the removal of a spur track from a street in a municipality and authorized the establishment of a new grade crossing where good cause appeared to exist for the removal of the spur track and where the new crossing would not increase the hazard to users of the highway but would promote the public safety and public convenience. *Re Chicago, B. & Q. R. Co. 2-R-2477*, April 24, 1952.

The South Dakota commission held that the financial inability or poverty of the owner of a telephone company is not a good defense for failure to discharge his public duty or his refusal to comply with an order to make admittedly necessary service improvements. *Public Utilities Commission v. Palmer (Spencer Teleph. Exchange) F-2352*, March 28, 1952.

The Wisconsin commission, in approving a telephone company's application for a rate increase, directed the company to raise its proposed residence one-party rates 20 cents, lower the 2-party rate 15 cents, and the 4-party rate 25 cents per month, in order to obtain a more normal distribution of customers among the respective grades of service. *Re Cumberland Teleph. Co. 2-U-3704*, April 22, 1952.

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Public Utilities Reports (New Series) are published in five bound volumes a year, with the PUR Annual (Index). These Reports contain the cases preprinted in the issues of PUBLIC UTILITIES FORTNIGHTLY, as well as additional cases and digests of cases. The volumes are \$7.50 each; the Annual (Index) \$6.00. *Public Utilities Reports* also will subsequently contain in full or abstract form cases referred to in the foregoing pages of "Progress of Regulation."

WISCONSIN PUBLIC SERVICE COMMISSION

Re Interstate Power Company of Wisconsin

2-U-3622
March 27, 1952

APPPLICATION by electric company for authority to increase rates; granted in modified form.

Return, § 87 — Electric company — Adjustment for tax savings to parent company.

1. A return of about 5.6 per cent on the rate base of an electric company was considered reasonable in view of the fact that it reflected a special adjustment allocating to the company a portion of income tax savings enjoyed by its parent company, p. 34.

Expenses, § 83 — Payments to parent company — Services under contract.

2. Operating expenses of an electric company, including amounts prorated to such company by a parent company, were considered reasonable where such services were rendered under an agreement providing that accounting, purchasing, sales promotion, and billing expenses not directly assignable to either company should be prorated either on the basis of meters, as in the case of billing expense, or operating revenues, as in the case of all other expenses listed, the agreement providing further that the parent company would provide engineering and meter testing services when required, on a direct charge basis, such services to be furnished at cost, p. 35.

Return, § 41 — Subsidiary electric company — Capital structure — Income tax savings of parent company.

3. An electric company having a capitalization entirely of common stock, but which is a wholly owned subsidiary of a company benefiting from income tax savings by reason of its capital structure including bonds subject to interest and amortization expenses, should benefit in the same proportion that its capitalization bears to the total, p. 36.

Return, § 41 — Cost of common stock capital — Capitalization of subsidiary — Depreciation adjustment of parent company.

4. An adjustment should be made, in developing the cost of common stock capital of a parent company and of a subsidiary which is applicable to the subsidiary, to reverse the effect of a transfer from capital surplus to the depreciation reserve account of the parent company (required in a reorganization), where such transfer had the effect of decreasing the total common stock equity upon which the return requirement of the parent company is based but the reserve deficiency requiring such transfer had nothing to do with the subsidiary company, p. 36.

Expenses, § 57 — Interest on customers' deposits.

5. Interest on customers' deposits should be added to the return requirement developed on a capitalization base to obtain the required net operating revenue of an electric company, p. 37.

Return, § 87 — Electric company.

6. Rates which would produce a return of 6.58 per cent for a subsidiary

WISCONSIN PUBLIC SERVICE COMMISSION

electric company were held to be excessive, and rates were designed to provide a return of 5.6 per cent, comparable to a return of about 6.4 per cent before the allocation of income tax savings resulting from interest on the bonds of the parent company, p. 38.

By the COMMISSION: Interstate Power Company of Wisconsin on July 26, 1951, filed an application with the Commission for authority to increase certain of its rates for electric service. Notice of investigation and hearing and assessment of costs was issued on August 7, 1951.

Hearing was held on September 7, 1951, at Madison before examiner John S. Cavanaugh. On November 7, 1951, the Commission directed that the proceedings be reopened. Second hearing was held on December 4, 1951, at Madison before examiner E. M. Downey. Oral argument was held before the Commission on February 6, 1952, at Madison.

APPEARANCES at first hearing: Interstate Power Company, by M. L. Kapp, Vice President, Dubuque, Iowa, Doyle Journey, manager, Lancaster, and Glen H. Bell, Attorney, Madison.

In opposition: City of Lancaster, by Richard W. Orton, Attorney, Lancaster; city of Prairie du Chien, by F. J. Antoine, City Attorney, Prairie du Chien.

In proper person: Milton R. Melhouse, Attorney, Lancaster.

Of the Commission staff: Robert G. Dudley, rates and research department.

APPEARANCES at second hearing: Interstate Power Company, by M. L. Kapp, Vice President, Dubuque, Iowa, Doyle Journey, Manager, Lan-

caster, Glen H. Bell, Attorney, Madison.

In opposition: City of Lancaster, by Richard W. Orton, Attorney, Lancaster; city of Prairie du Chien, by F. J. Antoine, Attorney, Prairie du Chien.

Of the Commission staff: Robert G. Dudley, rates and research department, and A. R. Colbert, accounts and finance department.

APPEARANCES at oral argument: Interstate Power Company, by Glen H. Bell, Attorney, Madison.

In opposition: F. J. Antoine, Attorney, Prairie du Chien.

Of the Commission staff: A. R. Colbert, Chief accounts and finance department, E. M. Downey, Rate Analyst, and R. G. Dudley, Statistician, rates and research department.

[1] Applicant seeks rate increases totaling approximately \$73,720 annually, based upon sales during the 12-month period ending October 31, 1951. The rates approved herein, on the same basis, are designed to yield increased revenues of approximately \$33,200 annually. During the 12-month period ending October 31, 1951, applicant had gross operating revenues of \$1,039,996 and, after certain pro forma adjustments, would have had net operating revenue, after taxes, of \$88,882. The indicated increase in gross revenues herein contemplated of \$33,200 (or about 3.3 per cent) will provide added net operating revenues of about \$15,000, or a total of \$103,882. This amounts to

RE INTERSTATE POWER COMPANY OF WIS.

a return of about 5.6 per cent on the rate base of \$1,855,806. This rate of return is considered reasonable in view of the fact that it reflects a special adjustment allocating to the applicant a portion of income tax savings enjoyed by the applicant's parent company, Interstate Power Company of Delaware.

Applicant furnishes electric service to approximately 7,000 customers located in 19 incorporated communities, about 13 unincorporated communities, and a number of rural areas in Grant, Crawford, and Richland counties in southwestern Wisconsin. In addition, the company supplies energy for resale to three municipal utilities. Largest communities served are Lancaster and Prairie du Chien.

Rates involved in the present proceeding include the company's residential, commercial, water-heating, rural, and general power rates. No change has been requested in wholesale rates, large-industrial power rates, street-lighting rates, or municipal-pumping rates.

The Interstate Power Company of Wisconsin is, in effect, an operating division of the utility system operated by its parent company, Interstate Power Company of Delaware. Operating expenses reported by the applicant are, in part, incurred by the Delaware company in operating the entire system and allocated to the Wisconsin company. It is also true that the applicant purchases a large part of its power supply from Interstate Power Company of Delaware.

In view of the close relationship between the two affiliated companies a review of the payments made by the

former to the latter for services rendered is appropriate.

Power Purchased

The rate under which applicant purchases power from the Interstate Power Company of Delaware is set forth in a contract filed with this Commission in April, 1937. This rate is subject to the approval of this Commission under § 196.52, Wisconsin Statutes, dealing with affiliated interests. It is also subject to the jurisdiction of the Federal Power Commission.

Applicant submitted a study covering the production and transmission costs of Interstate Power Company of Delaware. This study supports the reasonableness of the rate applicable to sales to the Wisconsin company. The average cost of energy per kilowatt hour under this rate during each of the past four years was as follows:

1947	1.51¢
1948	1.49
1949	1.54
1950	1.52

We are of the opinion that for the purposes of this case the costs incurred by the applicant for energy purchased from Interstate Power Company of Delaware are reasonable.

Accounting Department Expense, Purchasing Department Expense, Sales Promotion Expense, Billing Expense

[2] On January 26, 1939, Interstate Power Company of Wisconsin filed with this Commission an agreement entered into with Interstate Power Company of Delaware under which the latter company agreed to supply the above services to the for-

WISCONSIN PUBLIC SERVICE COMMISSION

mer. Under this agreement, all of the expenses listed under the above-caption which are not directly assignable to either company are prorated either on the basis of meters, as in the case of billing expense, or operating revenues, as in the case of all other expenses listed.

The agreement further provided that Interstate Power Company of Wisconsin would be provided engineering and meter testing services

when required, on a direct charge basis, such services to be furnished at cost.

This Commission has accepted the above agreement, subject to further investigation. We are of the opinion that the arrangement, if carried out properly, should be equitable. The following comparison of expense ratios supplies an indication of how the agreement has worked out in practice.

	Expense per Customer Ratio in 1950	
	Interstate Power Company	All Classes A and B Private Electric Utilities
Distribution Expense	\$7.80	\$10.37
Customers Accounting and Collecting Expense	3.84	3.37
Sales Promotion Expense	1.07	2.29
Administrative and General Expense	5.58	9.04
Total (excluding Production and Transmission)	\$18.29	\$25.07

The applicant does not fare badly in the above comparison. For the purposes of this case, we are of the opinion that reported operating expenses may be considered reasonable, including the amounts prorated to the Wisconsin company.

Income Taxes

[3, 4] The capitalization of the applicant consists entirely of common stock all of which is owned by Interstate Power Company of Delaware. The capital structure of the latter company as of December 31, 1950, included \$28,000,000 in bonds. Interest and amortization expenses on these bonds amount to \$1,029,338 annually. As is shown in Exhibit 12, the total resultant savings in income taxes amount to \$535,256. Since all of the bonds are on the books of the Delaware company no part of this savings has been reflected in the operations of the Wisconsin company.

We are of the opinion that the Wisconsin company should benefit in the same proportion that its capitalization bears to the total. This has been accomplished by a special adjustment shown in Exhibit 12 in developing the total return requirement of the Wisconsin company.

Total Return Requirement of Interstate Power Company of Wisconsin

In developing the total return requirement for Interstate Power Company of Wisconsin, Exhibit 12 shows that the cost of common stock capital to the parent company as of December 31, 1950, was 14.48 per cent. This was obtained by relating the total earnings required to maintain present dividends, assuming 70 per cent of earnings will be paid out as dividends, to total common stock equity.

Interstate Power Company of Delaware (the parent company) under-

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went a thorough reorganization during 1948 under Securities and Exchange Commission orders. At the time that this reorganization took place the depreciation reserve carried on the books of the company was judged to be inadequate and for that reason, an entry transferring \$2,150,000 from capital surplus to the depreciation reserve account was made. It may readily be seen that this entry had the effect of decreasing the total common stock equity upon which the above return requirement of 14.48 per cent is based.

The reserve deficiency which occasioned the above adjustment had nothing to do with the applicant. A special adjustment was therefore made in Exhibit 12 reversing the effect of this entry in obtaining the cost of common stock capital which is applicable to the Wisconsin company. This adjustment lowered the cost of common stock capital to 12.32 per cent.

Applicant strongly objects to the above adjustment on the ground that it is unjust to single out this item which is one of many adjustments made at the time of the reorganization for special treatment. We are of the opinion that the adjustment is reasonable and, in fact, necessary, since any other treatment would of necessity require Wisconsin ratepayers to pay higher rates than they would have paid if no deficiency had been present in the reserve for depreciation on the books of the parent company.

Exhibit 12 combines the 12.32 per cent allowed on common stock equity

with actual costs of senior securities to obtain an over-all return requirement for the applicant of 6.17 per cent before the special income tax adjustment. Applicant's share of the income tax savings resulting from funded debt on the books of the parent company lowers this requirement to 4.99 per cent. A further adjustment to allow for income taxes payable by the Delaware company upon dividends paid by the Wisconsin company, assuming 95 per cent of Wisconsin earnings are paid out in dividends, brings the total return requirement for Interstate Power Company of Wisconsin to 5.39 per cent.

[5] Since the above requirement is developed on a capitalization base it should be applied to the capitalization of the applicant in order to obtain the total dollar earnings required. The average capitalization during the 12-month period ending October 31, 1951, was \$1,885,442. Application of the 5.39 per cent return requirement to this figure indicates the dollar requirement to be \$101,625. Interest on customers' deposits during the same 12-month period should be added to obtain the required net operating revenue, \$102,693. If this figure is related to the book value rate base shown below the return requirement on such a base is shown to be 5.53 per cent.

A pro forma income account covering applicant's operations during the 12-month period ending October 31, 1951, after giving effect to certain adjustments is set forth below:

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Operating revenue	\$1,039,996
Power purchased	\$572,572
Other operation	148,507 ¹
Maintenance	40,539 ¹
Depreciation	66,588
Taxes, other than income taxes ..	43,001 ²
Federal and state income taxes ...	79,907 ³
Total deduction	<u>\$951,114</u>
Net operating revenue	\$88,882

¹ Reflects increased wages on an annual basis.

² Exclusive of federal energy tax.

³ Based on 1952 tax rates.

A book value rate base reflecting average values covering the same 12-month period is presented below:

Average utility plant	\$2,366,236
Add:	
Average materials and supplies ..	41,369
Working capital allowance (10% of operating expenses, excluding power purchased)	18,905
Deduct:	
Average Reserve for Depreciation ..	563,022
Average Contributions in Aid of Construction	7,682
Book Value Rate Base	<u>\$1,855,806</u>
Rate of Return (present rates) ...	4.79%

We are of the opinion that the above rate base is reasonable for use in these proceedings. The rate of return earned is not adequate and an increase in rates appears to be justified.

[6] Applicant proposes increased rates which would result in increased gross revenues of approximately \$73,-720 annually. After allowing for increased income taxes this increase would result in increased net operating revenue of approximately \$33,300 and the rate of return indicated on the rate base shown above would be 6.58 per cent. We are of the opinion that this is excessive.

We have designed rates which will yield approximately \$33,200 in in-

creased gross revenues annually. Only those rate schedules covered in the application are affected. The net increase after allowance for increased taxes is approximately \$15,000 and the rate of return indicated is 5.6 per cent. This is comparable to a return of about 6.4 per cent before the allocation of income tax savings resulting from interest on the bonds of the parent company. It is, in our opinion, entirely adequate.

Findings of Ultimate Fact

The Commission finds the following ultimate facts:

1. That the existing rates of Interstate Power Company of Wisconsin applicable to residential service, rural service, commercial lighting service, small power service, and all electric water heating service are unreasonable and unjust because of inadequacy.

2. That the sum of \$1,855,806 constitutes a reasonable and proper base for rate-making purposes herein.

3. That the rates ordered herein will yield a return of approximately 5.6 per cent on the above rate base which rate of return is a fair and reasonable rate of return and which rates are reasonable and just.

Conclusions of Law

The Commission therefore concludes:

That it has jurisdiction under §§ 196.02, 196.20, and 196.37 to enter an order authorizing the applicant to apply revised rates in accordance with the above findings of fact and that such an order should be entered.

NEW YORK PUBLIC SERVICE COMMISSION

Re New York State Electric & Gas Corporation

Case 15594
January 29, 1952

INVESTIGATION of electric company's proposed rate increase; proposed rates, with exception of rates for one district, permitted to go into effect and suspended as to the one district.

Expenses, § 9 — Proposed increases — Effect on rates.

1. Increases in operating expenses which have not yet come into effect should not be allowed as operating charges for rate-making purposes, p. 41.

Rates, § 351 — Electricity — Commercial and residential customers.

2. The general tendency in electric rate making is to require commercial customers to pay a slightly higher rate than normal residential customers, p. 42.

Rates, § 339 — Method of increase — Electric company.

3. An electric company's application of a greater percentage increase to customers lying in the category between residential and large industrial groups, who were presently paying less than their proportionate share, was considered reasonable in the interest of simplification of the company's rate structure, p. 42.

Return, § 87 — Electric company.

4. An electric company's proposed rate increase which would result in a return of about 5.7 per cent was authorized, p. 43.

APPEARANCES: Lawrence E. Walsh, Counsel (by Samuel R. Madison, Principal Attorney), for the Public Service Commission; Naylor, Foster, Shepard & Aronson (by E. B. Naylor and George Foster, Jr.), New York, Attorneys, for New York State Electric and Gas Corporation; James D. Curry, Town Attorney, Indian Lake, for the town of Indian Lake; Carroll H. Shaw, New York, Consulting Engineer, representing National Electric Service Corporation; Henry H. Sayles, Corning, Attorney,

for Corning Glass Works; Cross and Steates (by J. Theodore Cross), Utica, Attorneys, for the town of Long Lake.

EDDY, Commissioner: This is a proceeding brought by the Commission to determine whether certain proposed electric rates of the New York State Electric & Gas Corporation should be suspended. The rates were filed November 15, 1951, to become effective February 1, 1952, and provide for an increase in revenue of approximately \$2,500,000.

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In addition to evidence presented by the company, certain customers of the company objected to the proposed rates. The largest industrial user, Corning Glass, representatives of a number of so-called small power users and counsel representing the customers in the so-called Long Lake district appeared and objected. Their objection, however, was not so much directed at the total amount of the increase as to the distribution and the form of rate. The representative for the small power users advocated an across-the-board percentage increase rather than the rates proposed. The representative of Corning Glass, in the main, took the position that industrial customers were already paying an increase in rates by reason of the coal adjustment clause which does not affect residential customers.

The consideration of the question,

therefore, divides itself into two subjects:

First: Is the company in need of additional revenue?

Second: Is the form of the rate and the method of raising what revenue is needed proper?

The Company's Need for Additional Revenue

The company's balance sheets at December 31, 1950, and at October 31, 1951, the latest available date, and the company's income statement for the electric department for the year 1951 based upon eleven months' actual and one month's estimate follow (Tables 1 and 2): [Tables omitted.]

The company offered certain estimates as to expected earnings in 1952 for the electric department. For comparison with 1951, the following summary can be made of the company's estimates:

	Year 1951 Adjusted (Ex. 4)	Year 1952 Present Rates (Ex. 5)	Year 1952 Proposed Rates (Ex. 5)
Sales of Electric Energy	\$46,820,000	50,730,000	53,500,000
Other Electric Revenues	799,000	810,000	810,000
Total Electric Operating Revenues	\$47,619,000	51,540,000	54,310,000
Operating Expenses	\$28,400,200	30,450,000	30,450,000
Depreciation	4,066,042	4,709,000	4,709,000
Operating Taxes	3,741,280	4,152,000	4,235,000
Total Operating Revenue Deductions	\$36,207,522	39,311,000	39,394,000
Net Operating Revenues	\$11,411,478	12,229,000	14,916,000
Income Taxes	4,677,400	4,441,600	6,308,000
Operating Income	\$6,734,078	7,787,400	8,608,000
Average Rate Base	\$137,365,000	154,369,000	154,369,000
Rate of Return	4.90%	5.04%	5.58%

The figures for the year 1951-Adjusted give effect to the changes which occurred during the year including the elimination of a nonrecurring item. In comparison with 1951 fig-

ures (Table 2), revenues increased by \$29,000 due to an increase in the fuel adjustment clause. Adjustments in operating expenses include \$131,300 for wage increases granted during the

RE NEW YORK STATE ELECTRIC & GAS CORP.

year, \$33,000 for increased pensions and insurance costs, \$57,700 for increased Workmen's Compensation and public liability costs, \$67,600 for increases in the cost of fuel, a deduction of \$122,400 for retubing boilers, and a decrease of \$9,000 in merchandise and jobbing expenses. Adjustments in operating taxes, include a decrease of \$858,100, representing the elimination of the Federal Energy Tax and a decrease of \$60,000 in the New York State Unemployment Tax. Income taxes increased by \$788,900 reflecting the increases in tax rates.

The figures for the year 1952, with present rates, represent the company's forecast and reflect growth in customers and sales. The figures for the year 1952, with proposed rates, show an estimated increase in revenues of \$2,770,000. This estimate was based upon the rates being in effect for twelve months and the company estimates that the increase will amount to about \$2,500,000 during 1952 if the rates become effective on February 1, 1952. The increase in operating taxes amounting to \$83,000 represents taxes due to the increased revenue. The increase in income taxes amounting to \$1,866,400 reflects the taxes on the increased revenue together with some minor changes in allowable deductions.

We recently in Case 8527 (Nov. 8, 1951) closed the accounting case involving this company and the figures constituting the rate base may be taken as correct for rate-making purposes with the exception of certain items for land and water rights which will be discussed later. The company's estimates of revenue seem to be reason-

able, but like all such estimates, they hinge to some extent on the business activity in this state for the coming year.

[1] The expected expenses for 1952 are overstated by an amount which it is somewhat difficult to determine exactly. The estimate of expenses apparently was not prepared for the purposes of this proceeding, and it is more in the nature of a forecast including elements of expense which may or may not be incurred. Included in the expenses is an anticipated increase in the labor costs of about 5 per cent over the level of such costs in 1951. There is no proof before us that such costs will actually be realized during the year 1952 or as of what date they may be realized. We have repeatedly held that for rate-making purposes we will not include increased expenses which have not yet come into effect.

The total company payroll is about \$12,000,000. A reduction of 5 per cent would mean a decrease of \$600,000. About 85 per cent of that is chargeable to the electric department, or approximately \$510,000. This figure is unquestionably too high because part of the payroll charges are properly chargeable to the construction of plant. We do not have the exact figure before us in the record but, based on the experience of this company and others during the present period, it is probable that something in the vicinity of between 20 per cent and 25 per cent is properly a capital charge. Thus a deduction of \$400,000 in the expense for labor is unquestionably justified. With the tax rate of 52 per cent, the elimination of this item would increase the company's net in-

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come by \$192,000. With this adjustment the company could be expected to earn a return of approximately 5.7 per cent for the year 1952.

One other matter needs to be considered. This Commission has repeatedly questioned not only the cost of water rights but the economic value of some of them. The total amount at which they are carried on the books is \$3,364,644.33. On the basis of the investment, considering the kilowatt hours generated, it would appear that the economic value was somewhat less than the amount at which they are carried on the books. However, it must be remembered that one of the advantages of hydro rights is their use in peak shaving and on the record before us it is impossible to make an exact determination as to their economic value. However, the proposed rates will not yield a return of 6 per cent and still would not yield a return of 6 per cent assuming that 100 per cent of the book value of the water rights were disallowed.

The Form of the Rates

[2, 3] The company presently has involved in this proceeding 14 rate schedules with a total of 77 service classifications. The filings here propose to simplify the tariff by reducing the number of rate schedules to 5 with a total of 28 service classifications.

In certain of its districts, notably in the western part of the state, the company proposes no change in its rates at the present time. This, in the main, is due to its proximity to the territory of Niagara Mohawk in its Western Division where New York State Electric's rates are presently higher. In this area power is purchased from

Niagara Mohawk and those contracts are presently under review.

The simplification of the company's tariff schedule is unquestionably theoretically in the public interest. However, under conditions such as these any simplification of rates will not have a uniform effect on all customers. The proposed rates will produce an increase of approximately 5.4 per cent in total revenue for the year 1952. The average increase will be 6.8 per cent for residential rates, 8.6 per cent in the case of small general service rates, approximately 7 per cent in the case of large general service rates, and 15.4 per cent in the case of small power rates based on revenues for the twelve months ended June 30, 1951. There will be instances which are aptly illustrated by the various increases given to the plants of the Dairymens League where the increases vary from something over 20 per cent in one location to a slight decrease in another.

The argument of the small industrial users or the commercial users is that the increase should be uniform to all customers. We think the general tendency in rate making is that so-called commercial customers should pay a slightly higher rate than normal residential customers. Under the rates as proposed the relationship between the two favors the commercial user as compared to any other electric tariffs, and there will be little difference between the commercial user and the residential user.

In the interest of simplification and under general standards of rate making we think that the application of the greater percentage increase to the customers lying in the category between residential and large industrial groups,

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who are presently paying less than their proportionate share, and that the method of distributing the proposed increase are, in general, reasonable.

One exception, however, should be noted. The Long Lake district of the company is not interconnected with the company's system. The business is very seasonal with a high demand in the summer. Electricity is supplied by a diesel plant.

The evidence offered by the company would tend to establish that, viewed as a separate entity, the present rates do not produce a fair return upon the property involved. The proposed rates are unusually high. For example, the residential rate starts at 10 kilowatt hours for \$1.10 with the next 25 at 7.5 cents, the next 25 at 5.3 cents, and the excess at 4.2 cents per kilowatt hour.

There are several serious questions as to the Long Lake rates:

First, as to whether rates proposed by the company will not have a restrictive effect upon the obtaining of new customers in the use of electricity; and

Second, whether the enterprise is economically justified to the extent of entitling the company to any return whatsoever on its property;

Third, whether the company is entitled to additional revenues from this district, or whether there should be some different form of rate—one, for example, which would compensate for the high seasonal demand; and

Fourth, at the present time the company is conducting studies of possible savings by the construction of a transmission line connecting its Long Lake operation with the transmission lines of Niagara Mohawk at Raquette Lake

and purchasing its energy at that point. This would obviate the use of the diesel plant except possibly for peak shaving in the summer months.

It does not appear that the company has sufficiently justified the increase in Long Lake as to permit the introduction of this rate at the present time. It is, therefore, recommended that the increase in the Long Lake district be suspended.

Discussion

[4] The company has filed rates which will produce an increase in revenue of \$2,500,000. The proposed increase in the Long Lake district should be suspended. The company's estimates for the year 1952 overstated the expenses as has been previously pointed out. On the basis of disallowing these expenses and the proposed increase in Long Lake the company will earn a return of about 5.7 per cent for the year 1952 assuming that the land and water rights are included in the rate base at book value. Even with a disallowance for rate-making purposes of the entire balance of the land and water rights, the company still would be earning less than 6 per cent on the figures before us.

The proposed form of the rates is a decided improvement over the existing tariff schedules and there is no proof which would justify a finding that they place undue burden on any one class of consumer.

Conclusion and Recommendation

The total amount of the proposed increase has been shown to be justified, and it appears from the evidence before us that its distribution is equitable. However, actual experience

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with the proposed rates is desirable and the Power Bureau is directed to make a study of the results under the new rates for review as to their form by the Commission in six months.

It is recommended that the proposed rates, with the exception of the rates for the Long Lake district, be permitted to go into effect without sus-

pension and that the rates for the Long Lake district be suspended and further hearings held thereon.

While for the reasons stated herein it is not necessary to determine the economic value of the land and water rights for the purposes of this proceeding, the Commission should consider this question at some future date.

MAINE PUBLIC UTILITIES COMMISSION

Re Central Maine Power Company

F. C. No. 1380

March 20, 1952

APPPLICATION by electric company for authority to increase rates; denied.

Depreciation, § 23 — Hearsay evidence — Electric company.

1. An electric company's evidence in support of a claim for a 2½ per cent rate for depreciation was considered hearsay where the company arrived at this figure by consultation with an engineer who could not know the actual property, its age, its condition, or the necessary background from which to determine a rate for depreciation, p. 46.

Depreciation, § 23 — Determination from experience.

2. A utility's experience alone can determine what its depreciation rate should be for various types of property, p. 46.

Valuation, § 407 — Properties to be included in rate base — Burden of proof.

3. The burden of proof is on an electric company to show which items of property should be included in its rate base, p. 49.

Rates, § 187 — Denial of increase — Burden of proof.

4. An electric company was denied a rate increase where it failed to sustain the burden of proof imposed upon it by statute in regard to the determination of the value of useful property in service, p. 50.

Return, § 24 — Maintenance of credit.

5. An electric company's claim that a rate increase was necessary to enable it to maintain its credit was not found to be justified where the company had sold both stocks and bonds while the case was pending and the price of its stock was the highest for many years, p. 52.

APPEARANCES: E. H. Maxcy, for Central Maine Power Company; Augusta, and W. H. Dunham, Augusta, Ernest L. Goodspeed, Augusta, As-

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sistant Attorney General, for state of Maine; Robert T. Dettner, New York city, for North American Phillips Company, Inc.

By the COMMISSION: Central Maine Power Company, an electric public utility doing business in this state and subject to the jurisdiction of this Commission, filed on June 25, 1951, a revision of its rates providing for a general increase of more than \$3,000,000 a year. These rates were to become effective July 25, 1951.

The Commission summarily investigated the matter and was satisfied that a public hearing should be held. On July 23, 1951, the schedules were suspended for three months unless otherwise ordered. On September 5, 1951, hearing was ordered to be held at the state house, in Augusta, on September 18, 1951, and notice was ordered to be given by mail to the Central Maine Power Company and public notice was given by a notice in the Daily Kennebec Journal, a newspaper published in Augusta; the Lewiston Evening Journal, a newspaper published in Lewiston; the Portland Press Herald and Portland Evening Express, newspapers published in Portland, all in the state of Maine, ten days at least before the date of the hearing.

The matter not having been concluded on October 22, 1951, a further suspension was ordered for five months unless otherwise ordered.

At the time of the hearing notice was proved to have been given as ordered and the appearances noted as above. Public hearing was concluded on February 6, 1952, since which date several exhibits have been filed and

certain information supplied by the company.

Mr. William F. Wyman, president of the company, on September 18, 1951, stated the increased rates were filed "to meet higher costs and to enable it (company) to maintain its credit and attract the new capital necessary for financing the major part of plant additions required to adequately serve the increasing needs and use of its customers."

The evidence presented by the company relating to capital investment and depreciation from its books of account is confusing and makes it very difficult, if not in many instances impossible, to arrive at a reasonable conclusion.

In its Property Account the company is carrying, among others, three items (1) Account 373 "Unclassified Operating Property June 30, 1915" \$12,815,140.62; (2) Account 370 "Utility Property Purchased," \$4,-212,502.90; (3) Accounts 375A to F "Undistributed," \$2,368,421.69. Account 373 started June 30, 1915 in the amount of \$6,424,066. This represents undistributed property. In 1928, \$121,673 was added, making the amount \$6,545,739. In 1935, \$3,-742,430 was added through the acquisition of Androscoggin Electric Corporation. At the beginning of 1936, the account was in the amount of \$10,288,169. In that year the first retirement of any of this property, all of which was in existence prior to June 30, 1915, takes place. (\$21,900)

No retirements occurred in 1937 but from 1938 to date there have been retirements of varying amounts, the total for fifteen years being \$660,256, an average of \$44,000-odd a year. In 1942 on the merger of

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Cumberland County Power & Light Company with Central Maine Power Company, the balance at the end of that year was \$13,262,419, a net increase of \$3,675,934. (This net increase resulted from \$6,438,257 transferred from Cumberland, a write-off of \$2,000,000 of capitalized services in Central Maine, a write-off of over \$600,000 from Cumberland excess acquisition costs, and over \$152,000 transferred to organization.) As of December 31, 1951, the balance in this account is \$12,815,140.

The Commission has tried to ascertain what the property is that these dollars represent. The company has answered that if they knew they would segregate it and put it in the proper accounts. In no minor part these figures relate to dollars carried on the books of a considerable group of companies operating before 1915 and acquired by Central Maine. It is obvious that much of this property can no longer be used or useful. It has gone—worn out—destroyed—become obsolescent.

The company says it has been retired against classified property. It says at original cost. The Commission rules are clear. Effective July 1, 1915, the Classification of Accounts provided: "When any capital included in such account (Fixed Capital June 30, 1915) is retired from service, the amount at which it is charged therein shall be credited to this account. . . ." Since 1935 the company says that retirements have been properly made.

How much is depreciable and how much nondepreciable? Again the information is not available. To arrive at a proper depreciation charge the

company agrees that classification is necessary. A dam or reservoir would not depreciate as fast as a pole line.

It was testified on January 17, 1952, that to segregate these accounts would probably take three years and that although work was being done on the classification since 1937, the company had made no substantial progress.

Assistant Attorney General Ernest L. Goodspeed made a rather exhaustive cross-examination on this phase of the case during January 17 and 18, 1952.

On February 6, 1952, the company stated that in four or five weeks it could make allocations that would be reasonably accurate although, of course, subject to any required adjustments. In our opinion the company has had an altogether unreasonably long period of time to do what everyone admits should be done. This matter has been discussed for years between the Commission's staff and company representatives. Up to this point, studies have revealed write-downs at various times when investigations have been made. The Commission has in its Classification Account 371, Undistributed Cost of Electric Property, into which is placed the figure representing the difference between original cost to the first company and the price paid in this instance by Central Maine. It could well be that write-offs of some or all of this account are in order. The account should be used the same as any other account in the classification.

[1, 2] The company uses an overall figure of $2\frac{1}{4}$ per cent for depreciation charges. It may be true the company consulted an engineer and it reports the engineer said $2\frac{1}{4}$ per cent per

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annum was reasonable. We can only observe that the evidence of 2½ per cent is of the hearsay variety as presented and from all we can learn it could not have been factual, simply shall we say an educated guess. The engineer consulted couldn't know the actual property, its age, its condition, or the necessary background to determine a rate for depreciation. Its reasonableness is quite a different matter. No one knows at what rate dams are depreciated or transmission lines or substations or any other item of property. This procedure followed by the company is not in accordance either with the Commission's classification or good practice. The company's experience alone can determine what their depreciation rate should be for various types of property. The rate used of 2½ per cent composite may turn out to be right, too small, or too large. It in fact is affected by the company's practices for replacement through maintenance charges, rather than charges to depreciation reserve, which may increase operating expenses and at the same time decrease retirements.

The Commission's Uniform System of Accounts last revision effective January 1, 1939, provides in part:

"The depreciation rate shall be based upon the estimated service lives of the depreciable property as developed by a study of the utility's history and experience, giving due consideration to its policy with respect to current maintenance and such engineering and other information as may be available with respect to probable future conditions.

" . . . These percentage rates shall be computed in conformity with the group plan of accounting for depre-

ciation and shall be such that the loss in service value of the property will be distributed in equal monthly or other periodic charges during the service life of the property."

Until such a depreciation computation has been made, it is impossible to ascertain what depreciation allowance should be given the company. This is an essential element in the company's case.

In 1921, Central Maine Power Company took over fifteen other companies which had a total of unclassified property carried at \$4,759,195. No retirements were made until 1935. Most of this property represented by the \$4,759,195 goes back prior to June 30, 1915. The remarks we have made applicable to Account 373, Unclassified Property June 30, 1915, in the preceding, apply generally to this Account 370. The evidence before us leaves the inference that where property has been retired at original cost, such retirements may be inadequate inasmuch as the "cost" does not represent what Central Maine actually paid for the property. Failure to make adequate retirements would result in the perpetual freezing of nonexistent property in the company's account, unless the same be properly retired through, in part at least, Account 370.

The result is that for some \$17,000,000 of alleged property our information is very meager. How much exists—how much is used and useful—how much is depreciable—how much belongs in the various accounts—how much should be written off—how much should be included in the rate base—these questions are unanswered.

The Commission's staff took a look at the Androscoggin Electric Corpora-

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tion property, which was later acquired by Central Maine Power Company, and found that the Lewiston & Auburn Electric Light Company on October 26, 1914, carried on their books electric property \$1,645,641. On October 27, 1914, this same property was taken over by Androscoggin Electric Company and set up on the books of the latter company at \$3,-773,100, an increase of over \$2,-000,000.

The taking over by the Androscoggin Electric Corporation, a corporation organized and owned by Central Maine Power Company, of the property of Androscoggin Electric Company, was by consolidation of this latter company and two other utilities, namely the Livermore Falls Light and Power Company and the Turner Light & Power Company. In authorizing this consolidation this Commission in U. No. 1371, File 8744, stated: "The principles governing this case have been previously considered by the Commission in other cases and, since the application concerns neither the issue of securities nor the fixing of rates, we do not determine at this time what portion of the properties, franchises, and permits, if any, may be capitalized or may be used by the new corporation as a basis for rate-making purposes."

Our accounts are set up to bring such transactions into the open. What Central Maine paid for this property over and above the \$1,645,641 goes into the acquisition adjustment account. Its treatment in that account will depend on the circumstances.

Another matter the staff looked at was the Bath & Brunswick Light & Power Company. As of June 30,

1915, Bath & Brunswick carried on their books electric and gas property (no breakdown) \$1,116,538. To get a comparable figure of \$1,133,000, Stone & Webster, engineers of Boston, made a Cost to Reproduce statement, showing operating property—called Total Structural value \$693,000, then came Overheads of \$160,000, Working Capital \$30,000, and Water Rights of \$250,000.

Central Maine received a decree dated November 30, 1915, relating to purchase of stock of Bath & Brunswick a part of which was read into the record as follows: "Bearing upon the other issues involved, the petitioner (CMP Co.) offered the testimony of Augustus Nickerson, C.P.A. of Boston, who examined the accounts of the Bath & Brunswick Light & Power Company and presented written statements of his deductions therefrom, and of James H. Manning, head of the hydraulic department of the Stone & Webster Engineering Corporation, who had made a physical examination of the properties of the company and an estimate of its value. We feel that this matter is one of sufficient importance to justify a somewhat full statement of facts touching the financial and physical condition of the company, although it should be distinctly understood that no finding or order of the Commission in this petition shall have any force whatever in any future proceeding to determine values for rate-making purposes or otherwise, and all persons are to govern themselves accordingly."

Account 375 A to F of \$2,368,-421.69 should be distributed. Such is necessary to make the company's accounting conform to Commission re-

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quirements. Unless the accounting is done properly, the fixing of rates, the division of those rates into various classes, cannot be done with the understanding and assurance that is desirable, and as noted, retirements may be inadequate.

[3] Since February 6th, when hearings ended, the company has been very actively engaged in allocating and transferring to the primary accounts the foregoing items. We do not know on what basis this has been done. We cannot give either approval or disapproval of the changes made, for time has not permitted either the Commission or its staff to go into the matter. The changes made are far from complete, for no information has been given us to show how much of this property is used and useful or how much has been retired and if so, at what figure.

To illustrate part of the foregoing, Account 353 relates to Consumers' Meters. The company has represented to us that of these unclassified accounts 370 and 373 the sum of \$412,587.11 should be transferred to Account 353.

Account 373 relates to property acquired by the utility prior to June 30, 1915. Account 370 in this instance has in it property acquired prior to June 30, 1915, and also property acquired between 1915 and December 31, 1920. If one adds up the amount of unclassified property (Accounts 370 and 373), as allocated by the company, covering some thirty-odd companies acquired by Central Maine Power, he finds in Account 353 an additional amount of \$604,360. Another sheet submitted by the company shows that since 1935, there has been retired cus-

tomers meters in the sum of \$196,049. This would leave as property on the books of the company \$408,311 worth of customers' meters acquired prior to June 30, 1915, and from June 30, 1915, to December 31, 1921. This compares closely with the \$412,587.11 above mentioned and submitted to us only a few days ago. An examination of the annual reports reveals that during this period 1915 to 1921 there was added by the several companies in Classification Account 353, the sum of \$80,423.

The company, however, says it has been retiring these old meters but, for some reason quite unexplained, the retirements instead of being against the unclassified property as required by regulation were made against the classified property.

Retirements of consumers' meters by Central Maine Power Company have been made as follows since 1915:

1916	.....	\$None
1917	.....	None
1918	.....	1,578.64
1919	.....	208.86
1920	.....	2,175.51
1921	.....	1,510.34
1922	.....	2,957.63
1923	.....	5,764.59
1924	.....	10,831.14
1925	.....	7,728.70
1926	.....	713.99
1927	.....	190.50
1928	.....	270.28
1929	.....	252.85
1930	.....	77.45
1931	.....	1,674.97
1932	.....	2,716.98
1933	.....	5,187.78
1934	.....	3,325.28
1935	.....	7,985.86
		<hr/>
		\$55,151.35

We have stopped at 1935 because from then on retirements were made against the unclassified accounts (the amount \$196,049). During this period, 1915 to 1935, the company pur-

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chased some \$436,700 of consumers' meters. The \$55,151 of meter retirements, although charged against the Classified Account 353, could not have related entirely to unclassified meters. How much was either way we do not know but if we take all the retirements between 1915 and 1935 (\$55,151) we get as a minimum \$272,737 worth of meters, all of which existed prior to June 30, 1915. Needless to say, there are none of these pre-1915 types of meters in use by the company today. We would also note that in deducting the entire additions of customers' meters 1915 to 1921—\$80,423, we have again assumed no retirements of any of these meters where we are certain there have been some. There is therefore in excess of \$273,000 of customers' meters that the company is carrying on its books when the property is no longer in existence. Whether this failure to retire the property is due to underpricing, neglect, or oversight we do not know. If in any instance Central Maine Power Company paid more for the assets of a company than the amount on the books and retired at original cost, the difference would become a frozen asset with no property behind it.

If out of \$412,587, the sum of \$273,000 or more should be written off, this would be approximately 65 per cent in this category. This item is the only one of which we have had the time to make a somewhat superficial examination, and we use it to illustrate the point that some \$17,000,000 worth of so-called property of the company needs to have further explanation before we feel justified in including it in the so-called rate base.

These items, Accounts 370, 373, 93 PUR NS

375A etc., should have been cleared up long ago, as the company very fairly concedes. We are unaware of any way in which the Commission can at this time say, estimate or conclude how much belongs in the company's property accounts. A guess might be unfair to everyone, including the guesser. A certain amount belongs in the accounts; what that amount is, is unknown. The burden of proof is on the company in such matters by legislative authority.

Revised Stats 1944, Chap 40, § 69 reads as follows:

"In all trials, actions, and proceedings arising under the provisions of this chapter or growing out of the exercise of the authority and powers granted herein to the Commission, the burden of proof shall be upon the party adverse to the Commission or seeking to set aside any determination, requirement, direction, or order of said Commission complained of as unreasonable, unjust, or unlawful as the case may be. In all original proceedings before said Commission, where an increase in rates, tolls, charges, or schedules, or joint rate or rates is complained of, the burden of proof shall be upon the public utility to show that such increase is just and reasonable."

See also Rev Stats 1944, Chap 40, § 34, as amended.

If Central Maine had followed the Commission's classification in working out its depreciation figures for each account, this problem would have solved itself. A life of thirty-six years for meters, considering the company's own experience with these old types, pre-1915 variety, would have been the answer.

[4] As to the company's immediate

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future. The company has talked about predicated its earnings on "normal water." The evidence showed normal water in 1948 would produce 800,000,000 kilowatt hours—actually there was produced 651,610,490 kilowatt hours—off 19 per cent. In 1949 normal water would produce 866,000,000 kilowatt hours—actually the company got 729,254,540 kilowatt hours—15 per cent off. In 1950 normal water was good for 895,000,000 kilowatt hours—company produced 874,000,000 off only 2.3 per cent. In 1951 normal water was good for 928,000,000 kilowatt hours, the company stated on September 18, 1951. Later on January 15, 1952, it was testified on cross-examination that the 928,000,000 kilowatt hours was an "actual serious engineering interpretation and accurate." Mr. Ernest L. Goodspeed, assistant attorney general, when he had learned that the study for normal water stopped with the year 1946 or 1947, tried to show that a study brought up to date would produce a different figure due to water conditions in 1948, 1949, 1950, and 1951. It was testified the studies had kept the matter up to date and that the figure was "very realistic." Meanwhile it was shown that the kilowatt hours produced in 1951 was about 1,080,000,000 kilowatt hours, an increase of 16 per cent over "normal." The matter was then dropped but on February 6, 1952, the company volunteered the information that they had "made a further study of normal water" and the figure was increased from 928,000,000 kilowatt hours to 930,980,000 which the company was satisfied was "careful and accurate." This increase of nearly 3,000,000 kilowatt hours would supply

some 1,700 residential customers with a year's electricity on the basis of annual average use in 1951.

There is nothing to indicate at the present time that water conditions are going to be "normal" in 1952. In fact everything points to plenty of water. On a long range program, with rates established for a number of years "normal water" may be entitled to consideration, but in the instant case we believe a look at the near future is all that is necessary.

The company reported earnings of 15 cents in December, 1951, on its outstanding stock, 16 cents per share in January, 1952, and 13 cents in February, 1952. It reported in December 1950, 12 cents, in January 1951, 14 cents, and in February 1951, 12 cents per share on its outstanding common stock. It would appear that the present dividend of \$1.20 per annum is not in jeopardy. While the income tax has been increased, the removal of the excise tax has been more than enough to take care of the increase.

In its first presentation the company used a combination of actual figures and its "budget" figures—six months of each. Combining its six months' actual revenues and six months' "budget" revenues it estimated its income in 1951 as \$24,148,569. As everyone knows during the last half of 1951, textiles were in a bad way. The actual revenue in 1951 was \$23,781,737, a loss of \$266,832. With respect to operation and maintenance, the actual and budget estimate called for an expenditure of \$8,919,767. The actual expenditure was \$8,164,446 or \$755,321 less than forecast. The company made no claim that its operation and maintenance suffered by reason of

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these changes. In fact, it stated things went along about as usual.

As a result of inquiry made by the state's attorney, some \$60,000 of expense in merchandising will no longer be borne by the ratepayers but will be transferred to the merchandising account—nonoperating feature.

On the other hand, if it were assumed all the oil used in 1951 to generate energy was priced at the July increase, oil costs would have gone up \$120,275. The last of January, 1952, a wage increase was granted, estimated to cost the company an additional \$439,722 annually in operation and maintenance costs.

If the company's earnings continue as they have since last December, and water conditions remain good, and we know of no reason to expect any great change, except perhaps for the better in the textile industry, and with the increase in business which the company has had each year, it is our opinion that the company will not suffer. In the meantime it should get its accounts in order; it must determine both its actual operating property and its proper depreciation rate. The com-

pany, according to its exhibit, had an average net plant in service in 1951 of \$118,091,122. Included in this is some \$17,000,000 of property, a large part of which is thirty-six years old or older. It should evidence how much is at the present time used and useful.

We find that the company has failed to sustain the burden of proof imposed upon it by statute.

[5] The company has finally made a real start toward getting its accounts in order. In our opinion adequate adjustments can be made in a reasonable length of time. Meanwhile it is apparent that its earnings are far from confiscatory and we conclude that no change for the worse is foreseeable at present. While the case was pending the company sold both bonds and common stock and for the latter the sale price was the highest for many years. The basis of presentation that "increased rates were needed to sustain the company's credit" is not justified by the evidence in this case.

It is *ordered, adjudged, and decreed* that the schedule and rules as filed are hereby disallowed.

NEW YORK SUPREME COURT, APPELLATE DIVISION,
THIRD DEPARTMENT

Campo Corporation
v.
Benjamin F. Feinberg et al.

279 App Div 302, 110 NYS2d 250
January 9, 1952

REVIEW of Commission order authorizing electric company to
cease selling current to landlords for resale to residential
tenants; order affirmed.

Service, § 68 — Commission power — Prohibition of submetering.

1. The Commission has power to prohibit the practice of submetering electricity, although it may not regulate the submeterers, p. 55.

Service, § 68 — Commission power — Prohibition of submetering — Estoppel theory.

2. The Commission is not estopped from exercising its statutory authority to regulate the practices of an electric company and to prohibit the practice of submetering by the fact that predecessors of the present company encouraged the practice of submetering or by the fact that it was tolerated by the Commission for some forty years, p. 55.

Service, § 170 — Submetering practices — Rights of landlords.

3. Landlords who are customers of an electric company have no vested rights, constitutional or statutory, in the practice of submetering, p. 55.

Rates, § 39 — Commission power — Effect of fixing temporary rates.

4. The Commission, by fixing temporary rates pending the establishment of permanent rates, did not exhaust its power to make further changes in the company's rate structure pending the fixing of permanent rates, p. 57.

Appeal and review, § 32 — Commission orders.

5. A Commission order cannot be held to be arbitrary and unreasonable if it has any rational basis that would appeal to a reasonable mind, p. 57.

Parties, § 18 — Customer's right to intervene.

6. The intervention of a customer in a proceeding relating to the prohibition of submetering is a matter of discretion with the Commission, p. 58.

APPEARANCES: Morway Pickett and Harold J. Treanor, New York city, for petitioners; Szold & Brandwen, New York city, for petitioners Amalgamated Housing Corp.;

Charles G. Blakeslee, New York city, for petitioner 219 West 81st St. Corp. (John J. Donohue, Albany, of counsel); Whitman, Ransom, Coulson & Goetz, New York city, Attorneys for

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respondent Consolidated Edison Co. (Jacob H. Goetz, Cameron F. MacRae, and Arthur L. Webber, New York city, of counsel); Lawrence E. Walsh, New York city (George H. Kenny, Albany, Frank C. Bowers, New York city, Samuel R. Madison, Albany, Arthur Brooks, New York city, of counsel), for respondent Public Service Commission.

Before Foster PJ., and Heffernan, Brewster, Bergan, and Coon, JJ.

FOSTER, PJ.:

These are consolidated proceedings under Article 78 of the Civil Practice Act to review a determination and order of the Public Service Commission which authorized the respondent Consolidated Edison Company of New York, Inc., to cease selling electric current to landlords for the purpose of resale to residential tenants.

This practice, the discontinuance of which the Commission has authorized, is commonly called submetering. The owner or operator of a building buys current from a public utility at the wholesale rate and resells it through separate meters to individual tenants, usually at a retail rate. It is a practice that began some forty years ago in the city of New York, and was originally encouraged by utilities to meet competition from privately operated electric plants. Residential submetering was prohibited in the boroughs of Brooklyn and Queens in 1928, but has never been forbidden in the boroughs of Manhattan and Bronx.

In May, 1946, the Commission instituted a comprehensive investigation into the rates, charges, classifications, 93 PUR NS

and regulations of the Consolidated Edison Company which supplies practically all of the electricity used in the city of New York. In November of the same year this utility filed a new tariff, reducing its service classifications from fourteen to four. It further proposed to simplify its classifications by extending the prohibition against submetering, then existent in Brooklyn and Queens, to Manhattan and the Bronx. The Commission might have permitted these changes to have gone into effect within thirty days without a public hearing, Public Service Law, § 66, subd 12. Instead it requested the company to postpone the effective dates thereof and incorporated the proposed changes in the rate proceeding then pending. Hearings in the rate case were closed in December, 1948, and a temporary 10 per cent reduction in all classes of service was ordered.

Subsequently and before final rates were established, and because the company refused to postpone longer the effective date of the new tariffs it had filed, the Commission instituted, as a matter of procedural convenience, a new or supplemental proceeding which had to do solely with the company's proposed changes in its rate structure. In this proceeding the Commission permitted the changes in rate structures as proposed by the company in November, 1946, which included a prohibition against submetering in the boroughs of Manhattan and the Bronx. The effective date thereof was January 1, 1951, with a six months' grace period. During this period extensive complaints were made concerning the

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prohibition against submetering, whereupon the Commission ordered additional hearings. Notice was given to all those who had complained and to all parties who had appeared in the comprehensive rate case. The hearings began on June 5, 1951, and were concluded on June 22, 1951. At the first hearing notice was given to those who appeared that certain testimony and exhibits from the comprehensive rate case would be incorporated in the new record, and their counsel were informed that they would have a reasonable opportunity to supplement or counter the testimony so incorporated. Both the submeterers and the company offered testimony which was received. A request of the submeterers for an adjournment of six months was denied; the hearings were concluded, and the Commission made the determination and entered the order under review.

The action of the Commission is attacked essentially on three grounds: (1) that it acted without power in making such determination and order; (2) that its determination was arbitrary and unreasonable, and (3) that it failed to give petitioners an adequate opportunity to be heard.

Before discussing these grounds of attack it should be emphasized perhaps that petitioners are not public utilities; they are the owners or operators of real property and customers of the respondent Consolidated Edison Company.

[1-3] The Public Service Law gives to the Commission the very broadest of powers to regulate rates, service classifications, and regulations of a corporation which sells electricity to the public. Public Service

Law §§ 65, 66. Indeed it is not too much to say that in this respect the Commission is the alter ego of the legislature. *International R. Co. v. Public Service Commission*, 226 NY 474, PUR1919F 355, 124 NE 123; *Brooklyn Union Gas Co. v. Maltbie* (1935) 245 App Div 74, 9 PUR NS 153, 281 NYS 233. Despite these broad powers the Commission concedes that it has no jurisdiction over the activities of submeterers. To quote its own language: "under the existing provisions of the Public Service Law, the regulatory authority of the Commission ceases so far as tenants of a submetering customer are concerned at the termination point of the company's service, which is usually at the company's master meter on the submeterer's premises." This gap in regulation presents a somewhat anomalous situation. The submeterer acts in effect as a public utility in selling current to his tenants, and yet is entirely free from regulation.

Petitioners defend this practice by asserting that the owner of a building has the statutory right to purchase all the electricity needed to light his entire building, and that his private contracts with tenants for the disposal of current are no concern of the Commission. The statutory right cited is § 12 of the Transportation Corporation Law, which provides in part: "Upon written application of the owner or occupant of any building within one hundred feet of . . . a line of an electric corporation, or gas and electric corporation, appropriate to the service requested, and payment by him of all money due from him to the corporation, it shall supply . . .

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electricity as may be required for lighting such building,"

It is pointed out, however, by the Commission and the respondent company that this section of the statute imposes no duty to supply current for resale; nor is there any limitation therein on the power of the Commission to regulate service classifications and impose reasonable conditions in connection therewith, so far as the utility is concerned. We think these observations furnish the answer to the naked issue of power, and resolve the seeming paradox: that while the Commission may not regulate submeterers it may prohibit the practice of submetering. It may not regulate submeterers simply because the latter are not classed as public utilities by the Public Service Law, and its powers are drawn solely therefrom. But this lacuna in no way diminishes its power to determine reasonable classifications, regulations and practices under which a utility, such as the respondent company, renders service. Thus the Public Service Law provides:

" . . . the Commission shall determine and prescribe . . . just and reasonable rates, charges and classifications . . . for the service to be furnished . . . and the just and reasonable acts and regulations to be done and observed;" (Section 66, subd 5.)

"The Commission shall have power to require each . . . electric corporation to establish classifications of service based upon . . . the purpose for which used . . . and upon any other reasonable consideration, . . . and it shall have power, either upon complaint, or upon its own mo-

tion, to require such changes in such classifications, . . . as it shall determine to be just and reasonable." (Section 66, subd 14.)

From the foregoing we reach the conclusion that it was within the regulatory power of the Commission to direct the respondent company not to furnish electric energy otherwise than direct to consumers and through company meters. Nor did encouragement by predecessors of the respondent company of the practice of submetering, and tolerance thereof by the Commission for some forty years, estop the latter from asserting its regulatory power. It could not be estopped from exercising its statutory authority to regulate the practices and rate classifications of public utilities. *Rochester Transit Corp. v. Public Service Commission* (1946) 271 App Div 406, 67 PUR NS 234, 66 NYS 2d 593, leave to appeal denied (1947) 296 NY 1061, 73 NE2d 121.

Petitioners have no vested rights, constitutional or statutory, in the practice of submetering. *Lewis v. Potomac Electric Power Co.* 62 App DC 63, PUR1933C 114, 64 F2d 701; *Ten Ten Lincoln Place v. Consolidated Edison Co.* (1947) 190 Misc 174, 69 PUR NS 108, 73 NYS2d 2, affirmed (1948) 273 App Div 903, 73 PUR NS 156, 77 NYS2d 168. In other states the prohibition thereof has been upheld. *Sixty-seven South Munn v. Public Utility Comrs.* 106 NJL 45, PUR1929E 616, 147 Atl 735, affirmed (1930) 107 NJL 386, 152 Atl 920; *Florida Power & Light Co. v. State ex rel. Malcolm*, 107 Fla 317, PUR1933E 157, 144 So 657. *The case of Ambassador, Inc. v. United States* (1945) 325 US 317, 89

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Led 1637, 58 PUR NS 193, 65 S Ct 1151, while not precisely analogous, indicates the same trend. No case has been cited which holds that anyone has a statutory or common law right to purchase electric current from a public utility and resell it, and to compel a utility to provide service for that purpose. In addition it appears that the practice, while tolerated, has been criticized many times by the Commission. Whatever investments petitioners may have in the practice must be held to have been made at their own risk in view of the foregoing. The practice of submetering was always under the shadow of the regulatory power which the Commission might exercise over the rates and classifications of public utilities.

[4] Assuming however that the Commission, as a general proposition, had power to prohibit submetering, petitioners argue that it could not do so in this case because it had fixed temporary rates under § 114 of the Public Service Law, and hence it had exhausted its power to direct other changes in the rate structure of the company until it had fixed permanent rates. In other words, the Commission could not act until it had finally determined the comprehensive rate case it had initiated. It is true that the section cited provides that temporary rates shall be effective until final rates have been established, but we do not construe its language as narrowly as petitioners urge. Rate making is more or less a continuous process, and we doubt if it was the legislative intent to chain the Commission's hand against modifications it might find desirable in the public interest. The plural term used is some indica-

tion to the contrary. We might also note that in our opinion this is an issue which only a utility concerned may properly raise. But in any event we fail to see how the point has any controlling significance here because the temporary rate order itself embraces by reference a prohibition against residential submetering. So it would appear that there is nothing inconsistent between that order and the order under review, the latter being a final segment of the rate proceeding.

[5] If the Commission's determination has any rational basis that would appeal to a reasonable mind it cannot be held by the courts to be arbitrary and unreasonable. We are not concerned with the economic niceties of the practice which the Commission has condemned. We may only determine whether there is any reasonable support in the record for the action taken; or to put it another way, in order to annul the order of the Commission on the ground that it was arbitrary we should have to say as a matter of law that no substantial reason whatever appears in the record to sustain the order and determination under review. We cannot justly say that. The hearing Commissioner wrote a long and comprehensive memorandum which sets forth the findings and reasons for the Commission's action. It was found that the practice of submetering is parasitic and undesirable, competing with the central service station by selling to ultimate consumers who would be otherwise customers of the company. Profits of the submeterer would otherwise be available for the reduction of rates to other customers or aid in maintaining the level of rates in a period of

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rising costs. Under the present provisions of the Public Service Law service to the customers of a submeterer cannot be regulated although such users should be entitled to the same protection as a direct user of the company's service. These findings are not only supported by the record but, in our opinion, are almost self-evident propositions, requiring but slight proof to support them.

[6] Finally, we are unable to find any reasonable basis for petitioners' complaint that they were denied an adequate hearing. In the first place it is extremely doubtful whether they were entitled, as a matter of right, to any hearing at all. As customers they had no vested rights statutory or otherwise. Section 71 of the Public Service Law requires the Commission to make an investigation upon the written request of twenty-five customers but does not require a hearing. Section 66, subd 12, authorizes a hearing upon rates filed by a utility company but does not require it. In dealing with complaints § 72 requires notice to the utility involved but not to customers. The general scheme of the Public Service Law is that the Commission shall, in the public interest, regulate utilities, and ordinarily it is only the latter who are entitled

to hearings. The intervention of a customer is a matter of discretion with the Commission. *New York v. New York Teleph. Co.* 261 US 312, 67 L ed 673, PUR1923C 711, 43 S Ct 372; *New York v. Consolidated Gas Co.* (1920) 253 US 219, 64 L ed 870, 40 S Ct 511. In the present case the Commission, in the exercise of its discretion, gave petitioners the right to be heard in a proceeding which was merely supplemental in character to the main rate case. Those who had appeared in the latter case were given notice and also those who complained later. A part of the record in the main rate case, dealing with residential submetering, was incorporated in the latter record, but counsel for petitioners were given an opportunity to supplement or counter such testimony. This procedure is not unusual in administrative hearings, but in any event we think it was discretionary with the Commission in view of the issues and circumstances of the case.

The determination and order should be confirmed with \$50 costs and disbursements.

Determination and order confirmed with \$50 costs and disbursements.

Heffernan, Brewster, Bergan, and Coon, JJ., concur.

ARKANSAS SUPREME COURT

Arkansas Public Service Commission et al.
v.
Arkansas-Missouri Power Company et al.

No. 4-9727

— Ark —, 246 SW2d 117

February 18, 1952

APPEAL from lower court orders staying Commission order authorizing construction by electric co-operative and enjoining co-operative from taking any steps or action toward construction of proposed facilities; orders modified and as modified affirmed.

Appeal and review, § 73 — Petition for stay and injunction — Applicable statutes.

1. Allegations of a petition for stay of a Commission order and injunction against construction authorized by the order, based on one statute but incorporating by reference a petition for review under another statute, were broad enough to invoke the provisions of both statutes, p. 61.

Appeal and review, § 73 — Stay of Commission order — Necessity of court ruling as to applicable statute.

2. A circuit court, in granting a temporary restraining order pending review of a Commission order, need not determine which of two statutes should govern where both statutes authorize temporary orders and the allegations of the petition for stay and injunction are broad enough to invoke the provisions of both statutes, p. 61.

Appeal and review, § 25 — Temporary restraining order — Interference with lower court decision.

3. The granting of a temporary restraining order is, to a large extent, a matter within the sound discretion of the trial court, and the appellate court ordinarily will not interfere, unless it appears that the trial court has abused its discretion, p. 62.

Injunction, § 55 — Notice — Order maintaining status quo.

4. Orders restraining construction permitted by a Commission order, pending review of the order, were not void because of lack of notice of proceedings leading to the granting of a temporary restraining order where that order merely maintained the status quo until a formal hearing could be had and was superseded by a permanent order issued after a hearing of which the defendant had proper notice, p. 62.

Injunction, § 41 — Against construction by co-operative — Review of Commission authorization — Modification.

5. Injunctive features of a court order staying a Commission order authorizing a power project, pending review of the order, are unreasonably broad when restraining an electric co-operative from taking any preliminary

ARKANSAS SUPREME COURT

steps or action toward construction of the proposed facilities; and the restraining order should be modified so as not to restrain the co-operative from procuring Rural Electrification Administration approval of engineers selected for the project, but only restraining the co-operative from construction or the letting of contracts for construction, p. 63.

APPEARANCES: Fitzhugh & Cockrill, Little Rock, for appellants; P. A. Lasley and House, Moses & Holmes, all of Little Rock, Herbert L. Bran-an and Rainey, Flynn, Green & Anderson, all of Oklahoma City, Okla., Wallace Townsend, Little Rock, and Richard L. Arnold, Texarkana, for appellees.

MILLWEE, J.: Appellant, Arkansas Electric Cooperative Corporation, hereinafter called "Arkansas Electric," is an electric co-operative formed under Act 342 of 1937, Ark Stats §§ 77-1101 et seq., by three REA distribution co-operatives in Northwest Arkansas. Appellees, Arkansas-Missouri Power Company, Arkansas Power and Light Company, Southwestern Gas and Electric Company, and Oklahoma Gas and Electric Company, hereinafter called "companies," are private electric utility companies operating in this state.

On August 11, 1951, 91 PUR NS 8, the Arkansas Public Service Commission hereinafter called "Commission," issued its order granting Arkansas Electric a certificate of public convenience and necessity for the construction and operation of a steam electric generating plant and transmission facilities near Ozark, Arkansas. On September 6th the companies filed and were granted an appeal from the Commission's order to the circuit court of Pulaski county under Ark Stats § 73-133. On September 11th the companies also filed a petition for

review of the Commission's order in the Pulaski circuit court pursuant to § 73-233.

On September 13, 1951, the companies filed in the circuit court an application to suspend and stay the order of the Commission and to enjoin Arkansas Electric from taking any steps toward construction of the generating plant and transmission system pending the hearing and determination of the review in circuit court. At a preliminary hearing on September 18th it was agreed that the application for stay and injunction should be continued for further hearing on September 29th.

On September 20th the companies filed a verified supplemental motion for temporary stay and injunction. Exhibited with the motion were copies of certain press releases in support of allegations that the directors of Arkansas Electric, at a meeting on September 17th, had let contracts for the construction of the generating plant and transmission system and were seeking REA approval of such contracts prior to the scheduled hearing on September 29th. Upon presentation of the supplemental motion on September 20th, the court entered an order which recites: "Good cause having been shown for the issuance of such temporary order, it is therefore considered, ordered, and adjudged that until further orders of this court, the order of the Public Service Commission issued in the cause and on the date aforesaid be,

PUB. SERV. COMM. v. ARKANSAS-MISSOURI P. CO.

and the same is, hereby suspended and stayed, and that the Arkansas Electric Cooperative Corporation be, and its officers, agents, attorneys, servants, and employees are, hereby enjoined from taking any steps or action preliminary to or in preparation for the contracting for, or the construction of, the transmission system or the steam electric generating plant authorized by the order of the Public Service Commission aforesaid.

"The applicants shall post bond approved by the clerk of this court in the sum of \$25,000, conditioned that they will pay to the Arkansas Electric Cooperative Corporation all damages which it may sustain by reason of the issuance of this order, if it is finally determined that it was wrongfully issued." The bond set by the court was duly filed.

On September 27th Arkansas Electric filed answer and response alleging that the appeal or review, as well as the applications for stay and injunction, were sought by the companies under § 73-133; that the court was without jurisdiction to consider said matters under said statute; that the temporary order of September 20th was also void because it was issued without notice; and that the amount of the bond fixed by said order was ridiculously low.

After a hearing on September 29th consisting of a colloquy between court and counsel which covers forty-seven pages of the transcript, the circuit court entered a permanent order continuing in effect the order of September 20th and the \$25,000 bond issued pursuant thereto. The permanent stay order also directed the filing of additional bond in the sum of \$75,000

to secure Arkansas Electric against damages which it might sustain by reason of the issuance of the order but provided that the liability of the companies, as principals upon said bonds, should not be limited to \$100,000. This appeal is prosecuted by Arkansas Electric pursuant to Ark Stats § 27-2102 from the interlocutory orders of September 20th and 29th.

Arkansas Electric contends that both orders and the pleadings upon which they are based were made pursuant to, and in specific reliance upon, §§ 73-133 et seq. which apply only to cases involving carriers, and that said proceedings should be brought under §§ 73-233 et seq., which deal with reviews of orders affecting certain public utilities including electricity. Hence, says appellant, the circuit court was without jurisdiction and both orders are void.

[1, 2] As previously indicated, the petition for review of the Commission's order of August 11, 1951, *supra*, filed by the companies on September 11th was based on § 73-233 and so states. It is true that the companies had, on September 6th, also filed motion for appeal under § 73-133. Thus, the companies have pursued both statutes in seeking a review and vacation of the Commission's order by the circuit court. In the application for stay and injunction filed September 13th the companies incorporated therein by reference the petition for review filed September 11th and also asserted that an appeal had been taken under the procedure prescribed in § 73-133. We think the allegations of the petition for stay and injunction were broad enough to invoke the provisions of both statutes and that the

ARKANSAS SUPREME COURT

companies did not base their petition on § 73-133 alone as contended by appellant.

It should also be observed that the circuit court is authorized by both statutes to make interlocutory orders, such as are involved here, during the pendency of the proceedings for review. Section 73-133 contains a provision as follows: "Upon the filing of the aforesaid motion of said appeal and at any time thereafter the said circuit court or its circuit judge shall have the right to issue such temporary or preliminary orders as to it or him may seem proper until final decree is rendered." Section 73-234 provides: "The pendency of proceedings to vacate or review shall not of itself stay or suspend the operation of the order of the Department [Commission], but during the pendency of said proceedings to vacate or review, the court, in its discretion, may stay or suspend in whole or in part the operation of the Department's [Commission's] order on such terms as it deems just, and in accordance with the practice of courts exercising equity jurisdiction. Any party shall have the right to secure from the court in which a vacation or review of the order of the Department [Commission] is sought, an order suspending or staying the operation of an order of the Department [Commission] pending the trial of the cause, by adequately securing the other parties against loss due to the delay in the enforcement of the order, in case the order involved is affirmed; the security to take such form as shall be directed by the court granting the stay or suspension."

At the hearing on September 29th the circuit court declined to determine

which of the two statutes should be applied in a review of the Commission's order of August 11, 1951, 91 PUR NS 8. In refusing to designate the applicable statute at that stage of the proceedings, the court said: "As I understand, the issuance of this stay order in no way goes to the merits of the case. The statutes delineate the scope of review and since both statutes authorize temporary orders and it seems to me it makes no particular difference which one it is issued under." We concur in this view. Since it was unnecessary for the court to determine which statute should govern in order to dispose of the issues then presented, our determination of the question at this time would be tantamount to the entry of a declaratory judgment on an issue which the trial court has not yet determined. The matter of scope of review is one that the circuit judge must determine when the review is heard on its merits and his action in the premises may be challenged when a final and appealable order is properly presented to this court. While § 27-2102, *supra*, authorizes appeals from interlocutory orders, it does not authorize an appeal from an order that has not yet been made and which the court was not required to make in adjudicating pending issues.

[3, 4] Appellant also argues that the orders of September 20th and 29th are void because of lack of notice of the proceedings on September 20th. Appellant relies on Ark Stats § 32-203 which provides that an injunction to stop the general and ordinary business of a corporation can only be granted upon reasonable notice. This section should be consid-

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ered in connection with § 32-201 which provides: "The court or judge, to whom an application for an injunction is made, may direct a reasonable notice to be given to the party against whom the injunction is asked to attend and show cause against it at a specified time and place, and may, in the meantime, restrain such party." It is conceded that appellant had proper notice of the hearing on September 29th which led to the issuance of the permanent order. The granting of a temporary restraining order is, to a large extent, a matter within the sound discretion of the trial court, and this court ordinarily will not interfere, unless it appears that the trial court has abused its discretion. *Jones v. Bartlett* (1946) 209 Ark 681, 191 SW2d 967. Without detailing the efforts made by appellees in their attempt to notify appellant of the hearing on September 20th, it is sufficient to say that the trial court did not abuse its discretion in holding that good cause was shown for issuance of the temporary order. The order of September 20th merely maintained the status quo until a formal hearing could be had and was superseded by the permanent order made on September 29th.

It is also insisted that a bond of \$100,000 is inadequate to cover probable damages to Arkansas Electric in the event it should be determined that the stay and restraining orders were improperly granted. The only element of damages suggested at the hearing on September 29th related to estimates of price rises during the prospective 3- or 4-year period of plant

construction as reflected in the record before the Commission. It appears that a witness for the companies made an estimate of approximately \$850,000 while engineers for Arkansas Electric gave a figure of \$156,400. Oddly enough each side, for purposes of this appeal, is more than willing to accept the estimate given by the other. It should be noted that the estimates are for the entire construction period, while we are here dealing with a delay occasioned by a stay which should be of a much shorter duration. The bond fixed is open-end as to the companies' liability and the penalty of \$100,000 applies only as to the liability of the surety. Under the circumstances presented, we cannot say that the amount fixed is unreasonable.

[5] We agree with appellant's contention that the injunctive features of the order of September 29th are unreasonably broad in that Arkansas Electric is restrained from taking *any* preliminary steps or action toward construction of the proposed facilities. Counsel for the companies conceded at the hearing that Arkansas Electric should not be restrained from procuring REA approval of engineers selected for the project. Counsel for Arkansas Electric admit that no loan funds can be forthcoming from REA to a restrained borrower. The order of September 29th will be modified so as to restrain Arkansas Electric from construction, or the letting of contracts for construction of, the proposed facilities. With this modification, the orders appealed from are affirmed.

NEW YORK PUBLIC SERVICE COMMISSION

Re William G. Schultz, Doing Business As
Albany, Colonie, Schenectady Bus Line

Cases 3286, 10827
February 26, 1952

APPPLICATION for authority to transfer a motorbus certificate;
application denied.

Certificates of convenience and necessity, § 137 — Transfer — Financial integrity — Motor bus carriers.

Authority to transfer a motorbus certificate should be denied where the transferee's financial record affords no assurance that it can or will be able to give adequate service to the new territory at anything approaching reasonable rates.

EDDY, Commissioner: Central Greyhound Lines acquired a certificate over a secondary route between Albany and Schenectady which was a necessary link in its long-haul transportation between New York city and the northern part of this state. This certificate had been issued to take care of local transportation and in acquiring the certificate Greyhound willingly assumed that burden. It now seeks to divest itself of this certificate and to employ a route on the main highway which it is claimed will be desirable from an operating standpoint and will be for the convenience of its long-haul passengers.

If this were an application to abandon its old certificate, the answer would be clear that it would not be permitted to do so solely because the certificate had served its ends as a connecting link in the company's statewide transportation service.

Clearly recognizing the obligation

to provide local service, it proposes to sell the certificate to the Albany-Cohoes Bus Line, Inc., and we are urged that operation by that company will provide adequate local service. The proof does not establish that we can be assured that service by the Albany-Cohoes Bus Lines will be adequate. We know that Greyhound is capable of rendering adequate service. We know that the predecessor of Albany-Cohoes failed and went out of business. We have had various proceedings before us involving the latter company. We have their annual reports. It is a border-line operation.

Even assuming that Albany-Cohoes is rendering adequate service to its present territory (a most violent assumption), its financial record affords no assurance that it can or will be able to give adequate service to the new territory at anything approaching reasonable rates. For this reason the application should be denied.



Industrial Progress

A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.



Electric Utilities Expand to Meet Demands for Power

THERE has been no letup during the past year in the postwar growth in electric power load. In addition to the continuing increases in residential services, the industrial needs for power have been augmented by the defense emergency. To meet this demand the electric utilities have continued to extend their facilities. The annual reports of many companies comment upon their expansion programs, as noted in the excerpts below:

Alabama Power Company (Birmingham, Ala.) reports that \$29,300,000 was expended for construction in 1951. The construction program for 1952-54, inclusive, will be approximately \$102,000,000.

American Gas and Electric Company (30 Church St., New York, N. Y.) invested over \$95,000,000 in facilities during 1951. A construction budget of \$127,000,000 is being carried out in 1952. For the three-year period, 1952-54, construction will total \$319,000,000; and for the eight-year period 1947-1954, total investment in new facilities will reach \$680,000,000—almost equalling the total plant investment in 1950, which was built up over a 46-year period.

Arizona Public Service Company (Phoenix, Ariz.) reports that plans are under way for the construction of a 100,000 KW plant in the Casa Grande Valley area. It will cost \$12,000,000.

Arkansas-Missouri Power Company (Blytheville, Ark.) continued its program of strengthening its transmission and distribution systems during 1951. Total electric construction amounted to \$1,355,106.

Boston Edison Company (Boston, Mass.) reports that during 1951 construction went forward on schedule at Edgar station on a new 81,250 KW generating unit to be known as Edgar No. 5 and to be ready for service in the summer of 1952. The company has placed an order for another 81,250 kilowatt unit, to be known as Edgar No. 6, tentatively scheduled to go into service in 1954.

The California Oregon Power Company (Medford, Ore.) made gross capital expenditures during 1951 amounting to \$13,520,835. With more than \$47,900,000 spent during the six-year period from 1946-1951, the company's projected program, including projects now under way, will require the expenditure of an estimated additional \$41,393,521 within the period 1952-54.

California-Pacific Utilities Company (San Francisco, Cal.) reports that expenditures for new construction amounted to \$1,357,487 in

1951. The current year's budget provides for expenditures totaling \$2,242,915.

Carolina Power & Light Company (Raleigh, N. C.) spent approximately \$18,700,000 for construction of new facilities during 1951. Expenditures during 1952 are estimated at \$26,000,000.

Central Hudson Gas & Electric Corporation (Poughkeepsie, N. Y.) made additions to its gas and electric facilities during 1951 amounting to \$12,100,000, as compared with \$10,170,000 in 1950. The estimated cost of the 1952 construction program is \$6,600,000.

Central Power and Light Company (Corpus Christi, Tex.) spent more than \$12,000,000 for new facilities in 1951. By the end of 1951, the company could supply its customers with more than twice as much power as was available at the end of World War II, and expansion is continuing at a rapid rate.

Central Vermont Public Service Corporation (Rutland, Vt.) continued its expansion program during 1951. It reports that expenditures during that year amounted to \$3,462,962.

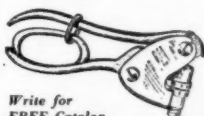
The Cincinnati Gas & Electric Company (Cincinnati, Ohio) reports that during the six-year period, 1946-1951, the company and its subsidiaries spent \$98,800,000 for construction. They expect to spend \$28,000,000 during 1952.

The Cleveland Electric Illuminating Company (Cleveland, Ohio) had a total investment of \$291,667,000 in property and plant at the end of 1951, following expenditures of \$23,702,000 for construction during that year. The system's generating capacity was 1,134,000 kw at the end of 1951. It is expected that it will exceed 1,500,000 kw by the end of 1954.

Columbus and Southern Ohio Electric Company (Columbus, Ohio) spent \$15,467,000 in 1951 for electric plant additions and improvements, making a total expenditure of \$61,133,000 during the five-year period ending December 31, 1951. The company contemplates spending \$55,000,000 during the years 1952-54.

Commonwealth Edison Company (Chicago, Ill.) reports that in 1951, total construction expenditures were \$95,589,775. It is estimated

(Continued on page 42)



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that \$500,000,000 will be spent for the years 1952 through 1955.

The Connecticut Light and Power Company (Berlin, Conn.) has an extensive expansion program under way. In 1951 the expenditures totaled approximately \$10,944,000.

Consolidated Edison Company of New York, Inc. (4 Irving Pl., New York, N. Y.) reports that in 1951 expenditures for new construction were \$91,000,000. This brought the total expenditures for the postwar period 1946-1951 to \$445,000,000. For the next five years, 1952-56, present plans indicate expenditures totaling \$380,000,000, of which \$105,000,000 is scheduled for 1952.

Consolidated Gas Electric Light and Power Company of Baltimore (Baltimore, Md.) reports that during the last five years it has expended over \$110,000,000 for expansion and expects to spend an additional \$28,000,000 in 1952.

Consumers Power Company (Jackson, Mich.) reports that construction expenditures came to \$51,026,600 in 1951, bringing the total for the six years 1946-51 to \$219,500,862, not

including construction expenditures of Michigan Gas Storage Company. Again in 1952, it will be necessary to continue the expansion program.

The Dayton Power and Light Company (Dayton, Ohio) has completed a five-year postwar expansion program (1946-1950) costing \$75,227,000. Its second five-year program is now under way. It resulted in an outlay of \$20,400,000 in 1951, and will require an additional \$38,000,000 for 1952 and 1953.

Delaware Power & Light Company (Wilmington, Del.) continued its construction activities at a high level throughout 1951, total construction expenditures amounting to \$11,854,025. The maximum aggregate expenditure during the next three years has been estimated at \$40,000,000.

The Detroit Edison Company (Detroit, Mich.) added 200,000 KW to the generating capacity of their Conners Creek plant. Construction work is under way at their St. Clair power plant, which will provide for a total of 500,000 KW in 4 units by July, 1954. A total property investment of \$62,104,842 was made during 1951.

Duquesne Light Company (Pittsburgh, Pa.) is in the midst of the largest expansion program in its history. As part of this program the company expended nearly \$29,600,000 in 1951, about \$6,000,000 more than the amount spent in 1950.

Edison Sault Electric Company (Sault Ste. (Continued on page 44))

Applications are solicited by the Florida Railroad and Public Utilities Commission, Tallahassee, Florida, for the following: One graduate semi-senior electrical rate engineer and one graduate semi-senior electrical evaluation engineer. Salaries commensurate with experience. Apply to Director of Research and Valuation.

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Marie, Mich.) continued its construction program during 1951. Expenditures during that year amounted to \$172,976.

The *Empire District Electric Company* (Joplin, Mo.) spent some \$2,113,000 for new construction. The company expects that a \$14,600,000 construction program will be needed in 1952-54.

Florida Power Corporation (St. Petersburg, Fla.) spent \$16,018,265 on its construction program during 1951 for itself and subsidiary company. The construction budget for 1952 is approximately \$28,000,000.

Florida Power & Light Company (Miami, Fla.) completed its six-year \$112,000,000 post-war construction program in 1951. Construction costs during the year totaled \$21,400,000. It is forecast that during the next ten years \$332,000,000 will be spent on plant and system expansion, with \$22,100,000 and \$27,800,000 being spent during 1952 and 1953, respectively.

General Public Utilities Corporation (67 Broad St., New York, N. Y.) reports that its subsidiaries spent \$47,290,000 in 1951 for construction. It is estimated that approximately \$58,000,000 will be spent in 1952.

The *Hartford Electric Light Company* (Hartford, Conn.) estimates that its construction program through 1954, consisting of new generating capacity and required additions and improvements to its distribution system and other utility plant, will call for an expenditure of about \$24,000,000.

Houston Lighting & Power Company

(Houston, Tex.) reports that it spent \$90,400,000 for the 6-year period ending 1951, of which \$17,731,907 was expended last year. Orders have been placed for equipment which will add 400,000 KW to the generating capacity by the end of 1954.

Idaho Power Company (Boise, Idaho) spent \$76,400,000 in the five years ending 1951. Of this sum, \$23,297,828 was spent in 1951. The company expects to double its present generating capacity during the next five years.

Interstate Power Company (Dubuque, Iowa) estimates that its 1952 construction budget will amount to \$6,851,000. The principal item is the cost of the completion of the installation of a new 25,000 KW steam turbo generating unit at the Dubuque, Iowa, power plant.

Kansas City Power & Light Company (Kansas City, Mo.) made gross additions of \$19,217,712 in 1951. Expenditures in 1952 may aggregate as much as \$22,300,000.

The *Kansas Power and Light Company* (Topeka, Kans.) has been engaged, for the past six years, in the most extensive expansion and improvement program in its history. Construction expenditures during 1951 were \$14,774,628. It is estimated that \$37,233,600 will be spent during the years 1952-54.

Long Island Lighting Company (Mineola, N. Y.) reports that the cost of additions to property in 1951 was \$31,130,000, exceeding 1950—the previous peak year—by almost \$6,000,000. In the last five years construction expenditures have amounted to more than \$103,000,000. Expenditures for new construction in 1952 are estimated at about \$41,000,000.

Louisiana Power & Light Company (New Orleans, La.) reports that during the year, \$12,646,050 in gross property additions was invested in expanding and improving service.

Louisville Gas and Electric Company (Louisville, Ky.) is in the midst of a broad expansion program. Total 1951 construction expenditures were approximately \$8,347,000. It is estimated that the 1952-53 construction program will require expenditures of approximately \$16,000,000 in 1952 and \$16,000,000 in 1953.

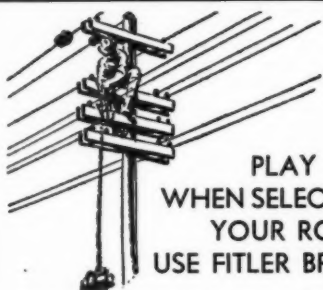
Metropolitan Edison Company (Reading, Pa.) made net additions to plant and property in 1951 amounting to \$13,557,560. Construction expenditures of approximately \$25,800,000 have been budgeted for 1952, as part of the company's long-range expansion program.

Michigan Gas and Electric Company (Three Rivers, Mich.) spent \$958,363 during 1951 on expansion. It is estimated that \$1,109,000 will be spent in 1952.

Middle South Utilities, Inc. (2 Rector St., New York, N. Y.) reports that system companies have spent about \$257,000,000 for new facilities since 1945. The system is making plans for expenditures in 1952 and 1953 of approximately \$138,000,000.

Minnesota Power & Light Company (Duluth, Minn.) is engaged in an extensive expansion program which, over the period from the end of World War II through 1953, will require expenditures estimated at \$42,000,000.

(Continued on page 46)



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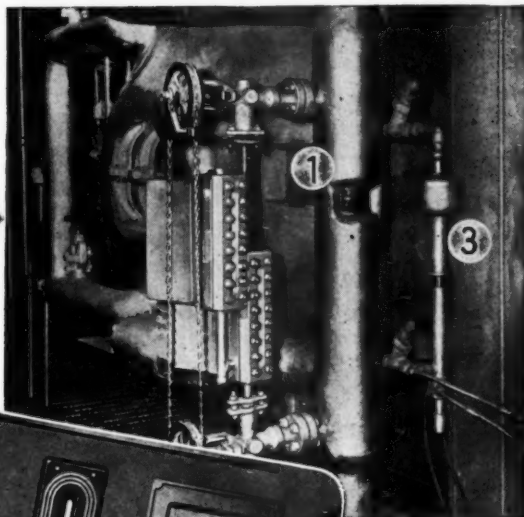
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Mississippi Power Company (Gulfport, Miss.) reports that during 1951, gross expenditures for construction were \$4,587,365. The company's expenditures for the years 1952-54 are estimated at approximately \$18,311,000.

The Montana Power Company (Butte, Mont.) expended approximately \$11,200,000 in 1950 and \$16,300,000 for 1951 on construction. Expenditures for 1952 are estimated at \$4,000,000.

Mountain States Power Company (Albany, Ore.) spent \$5,600,000 during 1951 for new plant facilities, the largest annual expenditure for construction in the Company's history. Improvements for 1952 are expected to require about \$4,500,000.

New England Gas and Electric Association (Cambridge, Mass.) reports that extensive work was carried on by its electric and gas companies during 1951 in enlarging facilities. The construction program of the subsidiaries for 1952 will require approximately \$6,500,000. For the years 1953 and 1954, construction requirements are tentatively estimated to aggregate \$15,300,000.

New Jersey Power & Light Company (Dover, N. J.) made expenditures of \$3,700,000 in 1951, the highest annual amount ever spent by the company. These expenditures were part of a total of \$25,000,000 spent during the past five years in enlarging and improving facilities. The company plans to spend \$3,900,000 during 1952.

New York State Electric & Gas Corporation (Ithaca, N. Y.) reports that construction expenditures of \$23,143,100 in 1951 were higher than in any previous year. The construction program planned for the three years 1952-54 is estimated at \$76,000,000, with \$25,000,000 forecast for 1952.

Niagara Mohawk Power Corporation (Syracuse, N. Y.) spent about \$57,352,000 in 1951 for electric and gas construction and other additions to facilities. Expenditures of about \$64,500,000 are anticipated for 1952 construction.

Northern Indiana Public Service Company (Hammond, Ind.) continued its construction program during 1951 with expenditures of \$19,390,000. The program contemplates expenditures estimated at \$20,000,000 in 1952 and \$21,000,000 in 1953.

Northern States Power Company (Minneapolis, Minn.) reports that its 1947-1951 construction program totaled \$159,839,000. For the five-year period 1952-56 it is planned to spend \$143,000,000.

Ohio Edison Company (Akron, Ohio) reports that additions and improvements to properties required expenditures during the year of \$20,574,027. The estimated cost of the construction program for 1952 is \$40,600,000.

Oklahoma Gas and Electric Company (Oklahoma City, Okla.) reports that its construction expenditures for 1951 amounted to \$11,431,000 which compares with \$15,529,000 for the previous year. Construction expenditures for 1952 are expected to be approximately \$15,500,000.

Pacific Power & Light Company (Portland, Ore.) reports that its 1951 construction program was the largest in the company's history

with expenditures during the year totaling \$18,314,014. This brought the total of such expenditures since 1945 to more than \$53,000,000. The company estimates that expenditures for 1952 will be approximately \$22,309,500.

Pacific Gas and Electric Company (San Francisco, Calif.) spent about \$152,000,000 in 1951 to extend and enlarge facilities. This brings to more than \$800,000,000 the amount expended to date on its postwar construction program. It is estimated that about \$450,000,000 will be expended in the period 1952-54, inclusive.

Pennsylvania Electric Company (Johnstown, Pa.) spent \$18,000,000 during 1951 to improve and expand its facilities, bringing to \$79,000,000 the amount spent for construction since 1945. Construction expenditures for 1952 are estimated at \$26,000,000.

Pennsylvania Power Company (New Castle, Pa.) is carrying on a construction program that will result in total expenditures of more than \$16,000,000 made during 1951 and 1952. The principal item in this program is the addition of an 85,000 KW steam-electric generating unit to the New Castle power plant, which is scheduled for completion in the latter half of 1952.

Pennsylvania Power & Light Company (Allentown, Pa.) conducted an expansion program during 1951 amounting to \$26,000,000, about \$500,000 more than anticipated at the beginning of the year. Expenditures planned for 1952 total \$38,500,000, the greatest of any year in the company's history.

Pennsylvania Water & Power Company (Baltimore, Md.) has undertaken an expansion program involving the expenditure of approximately \$25,000,000. The company spent \$3,500,000 in its expansion program during 1951 and expects to spend approximately \$7,000,000 during 1952.

Philadelphia Electric Company (Philadelphia, Pa.) reports that in 1951 construction expenditures amounted to approximately \$46,000,000, bringing total construction program costs to \$261,000,000 since 1945. It has extended its postwar construction program through 1956 and has planned large expenditures over the next five years.

Potomac Electric Power Company (Washington, D. C.) reports that construction expenditures during 1951 amounted to \$18,407,418. A major construction project for 1952 will be the addition of 100,000 KW to the generating capacity of the Potomac River plant. Total for 5-year period 1947-1951 amounts to \$83,474,172.

Public Service Electric and Gas Company (Newark, N. J.) made expenditures for plant additions in 1951 amounting to \$51,853,907. Estimated expenditures under the present construction program for the years 1952 and 1953 aggregate approximately \$146,000,000, of which it is expected \$84,000,000 will be spent in 1952.

Public Service Company of New Hampshire (Manchester, N. H.) reports that in 1951 the company expended \$6,786,929 for new plant facilities.

Puget Sound Power and Light Company
(Continued on page 48)

UTAH POWER & LIGHT CO.

Serving in
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A Growing Company in a Growing West

(Seattle, Wash.) reports that its construction expenditures for 1951 totaled about \$5,064,000. The company's 1952 construction is estimated at approximately \$5,000,000.

Rochester Gas and Electric Corporation (Rochester, N. Y.) spent over \$62,000,000 for additions and improvements for the six post-war years ending 1951. Plans for 1952 call for plant construction of \$19,338,323, the largest in any one year in the history of the company.

San Diego Gas & Electric Company (San Diego, Cal.) spent \$11,033,238 for additions in 1951. The company's 1952 construction budget will exceed \$18,000,000.

Southern California Edison Company (Los Angeles, Cal.) reports that its construction expenditures, which totaled \$344,160,000 in the six years 1946-1951, were approximately \$61,509,000 in 1951. Further plant expenditures of approximately \$80,000,000 have been budgeted for 1952.

Texas Power & Light Company (Dallas, Texas) reports that its construction expenditures totaled \$12,134,648 in 1951. Preliminary plans are prepared for a construction program totaling \$24,700,000 to be carried out in 1952.

The Toledo Edison Company (Toledo, Ohio) spent about \$11,500,000 for construction during 1951. Its 1951-55 construction program is estimated at \$60,000,000. The 1952 construction budget amounts to about \$8,000,000.

The Tucson Gas, Electric Light and Power Company (Tucson, Ariz.) made net additions of \$1,590,832 to electric property and \$377,425 to gas property in 1951. The estimated expenditures for 1952-53 include approximately \$12,400,000 for electric facilities and \$1,100,000 for gas facilities.

Union Electric Company of Missouri (St. Louis, Mo.) spent \$33,388,000 during 1951 in its construction program. It plans to spend over \$200,000,000 in the five-year period 1952-56.

Utah Power & Light Company (Salt Lake City, Utah) spent \$15,992,000 for new plants and property during 1951. Almost \$17,000,000 is budgeted for 1952 expenditure.

Virginia Electric and Power Company (Richmond, Va.) reports that expenditures in the 1946-1951 period amounted to \$164,000,000. Construction plans as budgeted for 1952 will require an estimated expenditure of about \$50,000,000.

West Penn Power Company (Pittsburgh, Pa.) made additions to its property in 1951 amounting to about \$10,000,000. Planned expenditures for property additions in 1952 are \$18,500,000.

Wisconsin Electric Power Company (Milwaukee, Wis.) has a four-year construction program (1951-1954) which it is estimated will cost about \$98,000,000. Construction expenditures of about \$18,000,000 have been made, leaving a balance of about \$80,000,000 expenditures for completion of the projects.

Wisconsin Public Service Corporation (Milwaukee, Wis.) reports that its expenditures during 1951 for new construction were approximately \$10,700,000. The 1952 construction

budget totals \$21,000,000. Expenditures of \$7,500,000 are estimated during 1952.

New Controller Conducts Time, Temperature Programs

AN electronic strip chart recording and indicating program controller has been introduced by the Minneapolis-Honeywell Regulator Company to meet a continuing demand for more fully automatic industrial process control.

The new ElectroniK controller, developed by Honeywell's Brown Instruments Division, provides a means for automatically conducting the complex time-and-temperature programs required in heat treating operations and other processes. This will minimize manual regulation and the always present human error factor.

The instrument is equipped with a motor driven set point index in addition to temperature measuring, controlling, recording and indicating components, and will automatically maintain pre-set rates of temperature rise, fall, and timed soaking or holding periods.

Now available for shipment, the Brown ElectroniK strip chart program controller can be supplied as a single or multi-record electric contact or proportional controller, or as a single record pneumatic controller.

IBM Appointments

INTERNATIONAL BUSINESS MACHINES CORPORATION recently announced the appointment of Edward M. Douglas as vice president in charge of special administrative matters, and of Louis H. LaMotte as vice president in charge of sales, both to be stationed at IBM World Headquarters in New York. Mr. Douglas previously was vice president in charge of sales with headquarters in New York, while Mr. LaMotte was vice president with headquarters in the company's Washington, D. C. office.

New Air Conditioning Smoke Control Bulletin Available

WAYS and means to guard against panic and damage from smoke accidentally introduced into the air intake of air conditioning systems is the subject of the latest Ess Instrument Company's Bulletin 521. The four-page brochure includes descriptions and diagrams of all three models of the Ess Smoke Controls, including one that eliminates the necessity for wall break-throughs by flush mounting. A remote-reading model is also described and illustrated for installation where the main duct is some distance from the main fan controls.

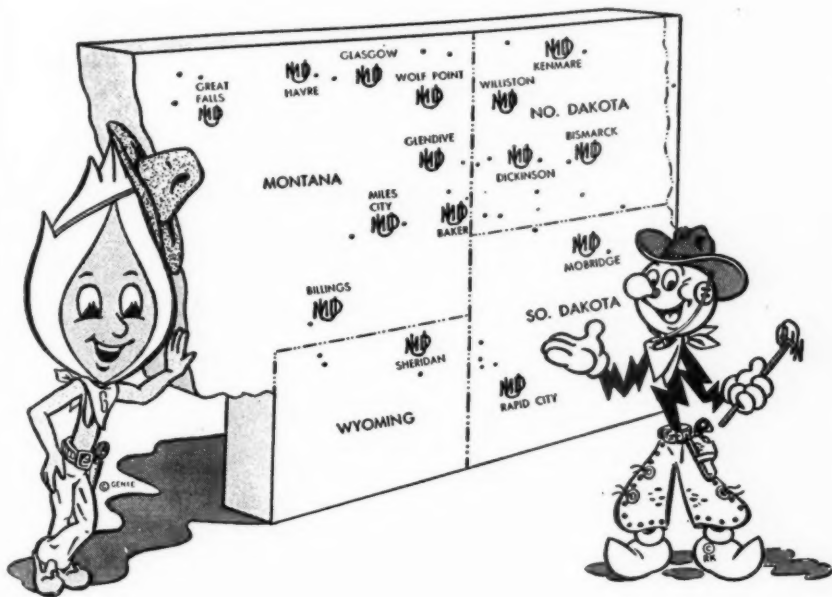
Blaw-Knox Appointment

JAMES H. ELKUS has been appointed assistant manager of the Blaw-Knox Division of Blaw-Knox Company, it was announced recently by D. V. Sherlock, acting division manager. In this new post, Mr. Elkus will have responsibility, under the division manager, for all departments of this large fabricating unit at Blawnox, Pennsylvania.

"PARDNERS"

Reddy Kilowatt and Genie, the magic electric and gas servants, are "pardners" in serving 125,000 Montana-Dakota Utilities Co. customers in 250 communities of this dynamic western area.

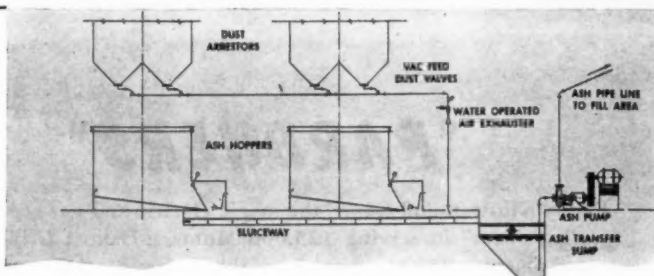
For the past twenty-eight years, the Montana-Dakota Utilities Co. has been an active "pardner" in the development of this resourceful empire which embraces the recent Williston Basin oil discoveries.



Montana-Dakota Utilities Co.

IN THE COMMUNITY TO SERVE

*Check
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HYDRAULIC ASH-HANDLING SYSTEM

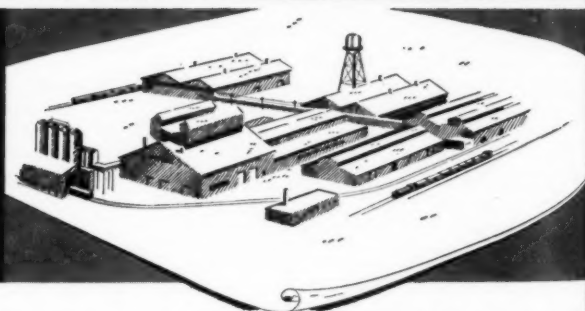
A Beaumont HYDRAULIC System: is particularly suited for high capacity ash-handling; handles wet ash or dry, molten slag and large clinkers; fits any type of power plant arrangement; is completely enclosed, preventing dust or gas from escaping to the boiler room; and can be operated by one man on a part-time basis. Write for Beaumont's brochure, "Answers to Your Ash-Handling Questions."



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Section of an
Abrams Aerial
Mosaic: Scale
1"=1000'.

Where A STRAIGHT LINE is not the SHORTEST DISTANCE

On this aerial photograph the dotted line shows where a proposed pipeline would have been routed using conventional maps. The solid line shows the actual route based on an Abrams Aerial Mosaic. Aerial photography instantly showed that bending the line would eliminate crossing a stream, expensive resort property and a small lake—that, measured in time and money, a straight line here was not the shortest distance. Save your time and money; use Abrams Aerial Surveys to show you the shortest practical routes for your pipelines.

For complete information send for your copy of "Pipeline Planning from the Bird's-Eye View," and the brochure "Aerial Surveys and Maps from Photographs."

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The offering is made only by the Prospectus.*

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May 14, 1952

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Corporation
Common Stock
(Without Par Value)

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CAST IRON AND ALUMINUM CAST

GAS METERS

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For high, medium and low pressures in manufactured, natural and liquefied petroleum gases



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Gas Measurement Engineers have been acquainted with the accuracy,

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The foresight of Sprague Engineers in the past, today makes the oldest Sprague models as efficient as the newest.

The services of the Sprague Engineering Staff are at your disposal. Data and problems of gas measurement and control will be gladly furnished. Write for a complete set of catalogs.



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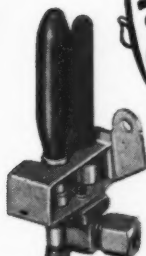
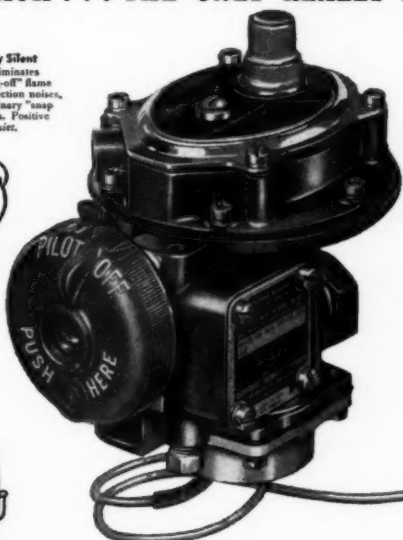
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Completely Silent
Gaspack eliminates "hang-on, bang-off" flame ignition and extinction noises, common to ordinary "snap action" controls. Positive — but quiet.

Two-Stage Flame Control
Gaspack's exclusive intermediate-flame principle "stages" flame for steady, even heat control, without violent swings.

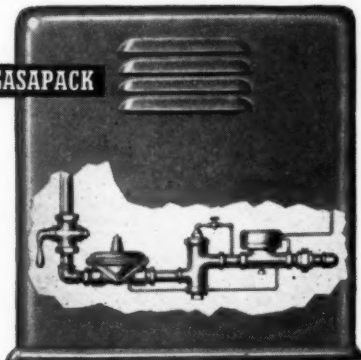
One Single Unit
Combines all necessary controls in one compact unit, easy to install . . . simple to service and efficient in operation.

Completely Adaptable
Design allows instant switch of manual unit electric thermostatic mechanical Thermomatic action, with no change in basic unit.



See the difference . . . in simplicity . . . in space saving

Before GASAPACK



With GASAPACK



Compare the Gaspack with old-fashioned, cumbersome hookups, and you'll discover it's the modern, efficient way of installing modern

gas furnaces and heaters. One simple-to-install unit eliminates as many as 5 separate controls. Cuts costs of assembly, too — as much as 67%.



DEPENDABLE Controls for modern gas heating

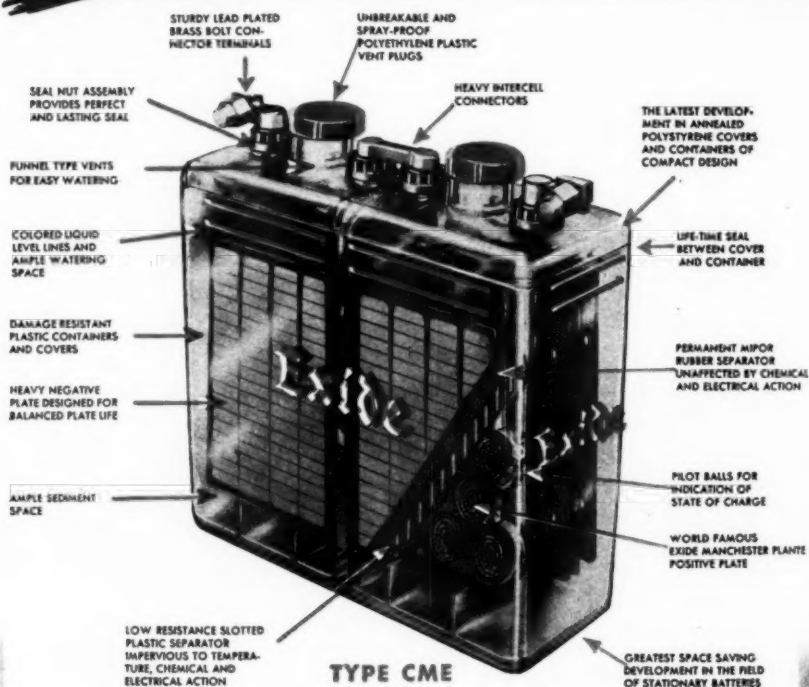
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NEW! POWER IN PLASTIC



DESIGNED AND ENGINEERED TO GIVE YOU...

◻LONG, TROUBLE-FREE LIFE ◻UNSURPASSED DEPENDABILITY for the most vital applications ◻LOW OPERATING COST. Extremely low internal resistance and losses, hence minimum charge currents are required ◻LOW MAINTENANCE COST. No solutions to change, nothing to renew. Requires water only once or twice a year. Smooth, streamline design facilitates cleaning ◻INCREASED POWER (watt) output per unit of space ◻LESS WEIGHT per ampere-hour output ◻MORE ATTRACTIVE INSTALLATIONS ◻LESS SPACE REQUIRED ◻HIGHLY-SUSTAINED USEFUL VOLTAGE even under heavy discharge ◻DAMAGE RESISTANT

Exide-Manchex BATTERY

FOR ALL SMALL-POWER STATIONARY APPLICATIONS

This newest POWER IN PLASTIC is an Exide development in stationary batteries for applications requiring up to 24 ampere hours at 8-hour rate. Back of this new Exide-Manchex battery are years of research-engineering, continuous laboratory checking and prolonged field testing. Result—a battery of exceptional ruggedness, with high power ability in greatly reduced space.

ORIGINAL . . . EXCLUSIVE . . . OUTSTANDING FEATURES

PLASTIC CONTAINER AND COVER. Transparent as glass, lighter in weight, more compact and with much greater shock resistance. Container and cover are polystyrene—impervious to effects of electrolyte . . . annealed for high mechanical strength and heat resistance . . . permanent cover seal—electrolyte will not leak out. Container surface is smooth and easily kept clean.

LONG-LIFE MANCHESTER POSITIVE PLATE . . . of unique lead button construction—rolled strips of corrugated pure lead, pressed into framework of lead alloy grid. Forming action expands buttons and locks them securely in place. Only a small portion of lead is formed initially into active material . . . the remainder is available for gradual conversion in service. **NEGATIVE PLATES** match the long life of the positives.

DOUBLE INSULATION—Mipor separators, of microporous rubber, together with slotted polystyrene separators act as a permanent electrical insulator while permitting free diffusion of electrolyte. Both are unaffected by temperature, chemical or electrical action—they will not crack, crumble or break down in

service. They provide maximum insulation with minimum resistance between plates, and assure long battery life even under severe charge-discharge conditions.

OTHER FEATURES: Elements are precision-fit and cover-suspended; separators are held in place by a bottom support of polystyrene. Adequate water space is provided; infrequent addition of water is made easy by molded-in-cover funnel filling vent . . . unbreakable and spray-proof plastic vent plugs . . . Lines on all four sides of container show recommended upper and lower electrolyte levels. Pilot balls indicate state of charge. Supplied charged and wet—or dry for prolonged storage.

SIZES AVAILABLE in three styles of containers and in capacities of 8, 16 and 24 A.H. at the 8-hour rate. Two-cell and three-cell assemblies may be combined to provide any desired voltage and to fit the available space. Other new Exide batteries are available in plastic up to 100 ampere hours capacity.

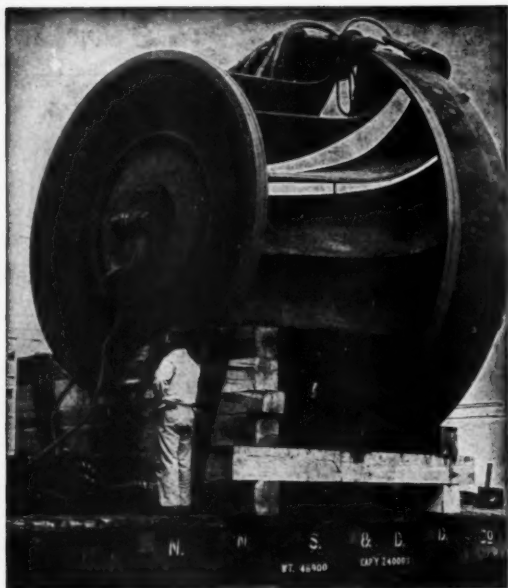
For all small-power stationary applications these new Exide-Manchex batteries, Type CME, are

YOUR BEST BATTERY BUY . . . AT ANY PRICE

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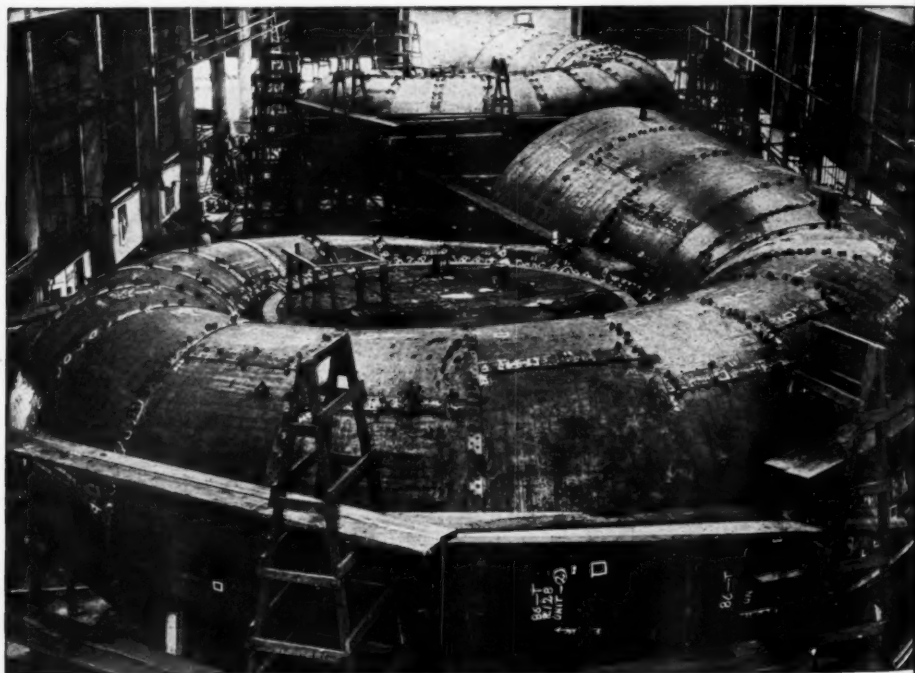
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RUNNER FOR BUGGS ISLAND DEVELOPMENT

OVER EIGHT MILLION HORSEPOWER

The Newport News Shipbuilding and Dry Dock Company has received orders for the building of hydraulic turbines aggregating output of 8,150,000 horsepower



ASSEMBLY OF SPIRAL CASINGS FOR C. J. STRIKE DEVELOPMENT

NEWPORT NEWS
SHIPBUILDING AND DRY DOCK COMPANY
Newport News, Virginia



Benjamin Franklin said

LIBERTY WILL NOT DESCEND TO A PEOPLE . . . IT IS A BLESSING THAT MUST BE EARNED BEFORE IT CAN BE ENJOYED.

Freedom did not come easy but it can easily go if the federal government keeps on taking over jobs that business-managed companies have always done better and cheaper.

The more the federal government tries to do this the closer we are to socialism, the fewer our freedoms and the greater our taxes.

National defense spending does need billions. It's the defenseless spending we must guard against or our own freedom can go bankrupt.

American business, under our way of freedom, out-produces every other country in the world in goods and electric power to make those goods.

The Hartford Electric Light Co.

Develop maximum power with LEFFEL hydraulic turbine

Only time will tell the story of how good a hydraulic turbine really is —and Leffel turbines are already thoroughly time-tested, in scores of installations where they have been going strong for decades without need of repair.

Leffel turbines are so expertly planned, so carefully and precisely built that you can be sure of trouble-free efficiency for a long, long time. Leffel pays special attention to the conditions under which the turbine is to be used, and maintains a friendly interest in the turbine's performance after installation.

If you have a water power problem, entrust it to Leffel's hydraulic engineers — real experts in the water power field. Put Leffel's 90 years of hydraulic power experience to work for you—now.

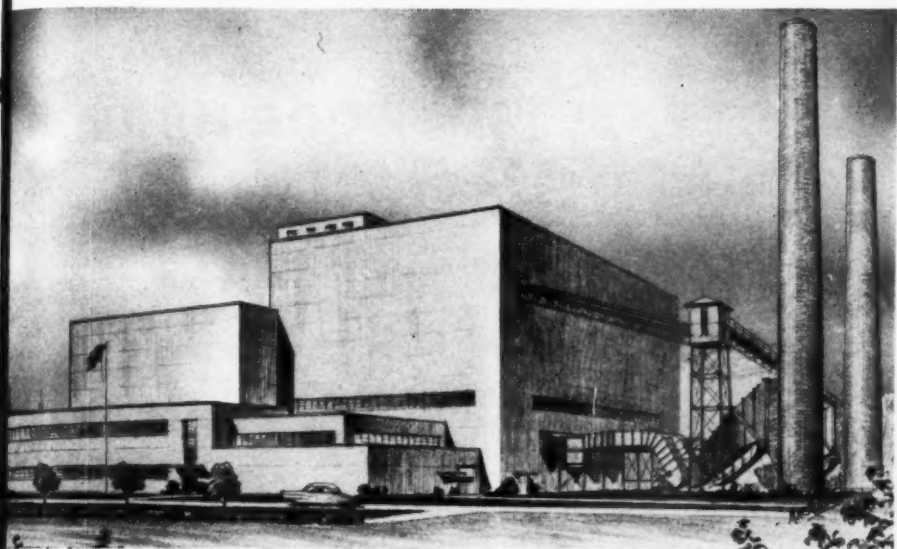


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THE PORTSMOUTH POWER STATION.—Another new generating station with twin units generating 210,000 Kw.; one unit for completion early in 1953, the other late '54.

WITH THE NEED COMES THE POWER!

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In other words, during the past five years, its power station capacity has increased over 77 per cent and when new construction now under way is completed, not including the widely-publicized Roanoke River hydro development, the increase will be over 151% — from 427,000 Kw. in 1946 to 1,075,000 Kw.

Unless critical materials are delayed or withheld, which would delay present and future construction, Vepco will be able to maintain an adequate supply of electric power for all present and future needs.

VIRGINIA ELECTRIC AND POWER COMPANY

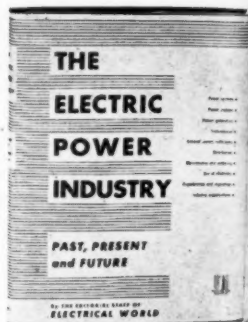
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Electrical World's valuable record of

THE DEVELOPMENT OF MODERN ELECTRIC SYSTEMS and APPARATUS

Here is the sweeping panorama of the evolution of energy generation, distribution and utilization. This is the story of the progress of the great American electric power systems, both private and public, and the philosophy and social and economic forces underlying their growth.

Designed for easy reading, this book brings you in compact form the unique record of the development of hydro- and turbo-electric power plants—of techniques for the construction, operation, and maintenance of the far-flung systems—of public regulation over companies, their rates and their profits—of the spasmodic movements for federal and municipal ownership of electric utilities—and of the rise of industry organizations.



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ON THE LINE! ... Our Sixth Post-War Power Plant

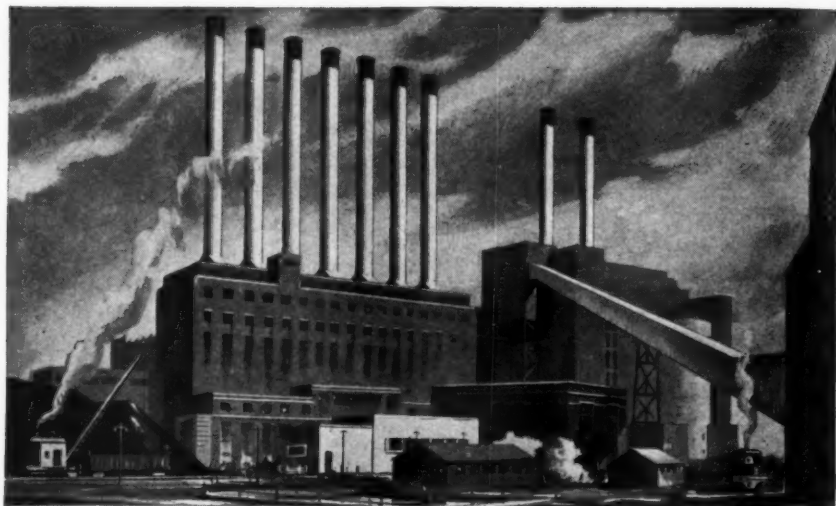
THIS is the newly completed C. J. Strike Hydro-electric project on Snake river, built in 16 months to produce 90,000 Kilowatts of power.

Since 1945, Idaho Power Company has invested nearly \$100,000,000 of taxpaying venture capital

and has increased its generating capacity by $3\frac{1}{2}$ times.

There's plenty of electric power in the Snake River Valley, and it has sparked a remarkable growth of industry and agriculture—a good example of what private enterprise can do when unhampered by socialistic encroachment.

IDAHO  POWER
A CITIZEN WHEREVER IT SERVES



The two new stacks at the right of this artist's drawing of Detroit Edison's Conners Creek plant mark the addition of two new turbo-generators that increase the plant's capacity to 571,000 kilowatts.

Southeastern Michigan Grows on Firm Foundations

The population of Southeastern Michigan has grown to almost 3,500,000. Ever mindful of the need for keeping well ahead of Detroit's and Southeastern Michigan's growth, Detroit Edison continues its never-ending expansion of generating and distributing facilities.

The Conners Creek plant is an example. Its two additional stacks, increasing the famous Seven Sisters to nine, change a landmark familiar for many years to millions of people who live nearby,

or who sail the Great Lakes. They help increase Edison's capacity today to almost two million kilowatts.

Edison's customers have confidence in the supplier of their electric power . . . confidence that whatever, whenever, wherever their power needs may be, Edison will fill them. And Detroit Edison, through its expansion program, is making certain that Southeastern Michigan will have a firm, dependable foundation for future growth.

Detroit Edison

"Satisfaction all the way with Dodge!"

... says F. F. WASSER

South Carolina Electric & Gas Co.
Columbia, S. C.

"We have been using Dodge trucks of all sizes, from 1½-ton through 3-ton, for over 15 years.

"I guess that speaks for itself. There's been satisfaction all the way with Dodge! Maintenance cost is *less* than the average of other trucks we use!"

Dodge "Job-Rated" trucks are serving *many* utility companies with the thorough satisfaction expressed by Mr. Wasser. They will save time and work and money in *your* service, too.

For example, you get a money-saving high-compression engine with 4-ring pistons, chrome-plated top rings and exhaust valve seat inserts. You also get exceptional handling ease, braking safety,

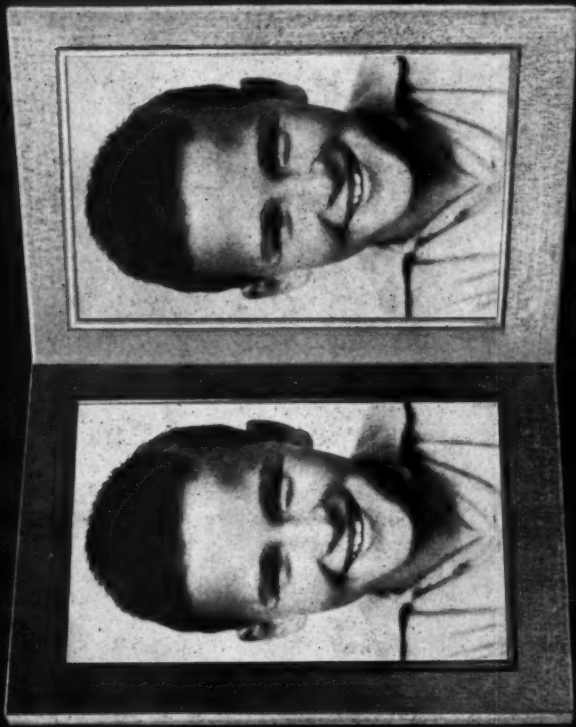
cab comfort, and other advantages.

What's more, Dodge trucks offer glycol Fluid Drive—available on 1½-, ¾- and 1-ton models—to give you *smoother* performance, save wear, lengthen truck life.

Your friendly Dodge dealer will be happy to tell you more.



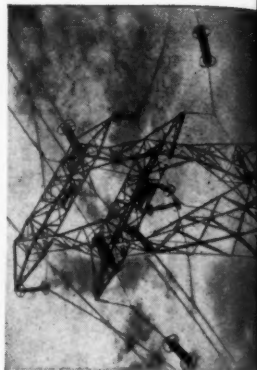
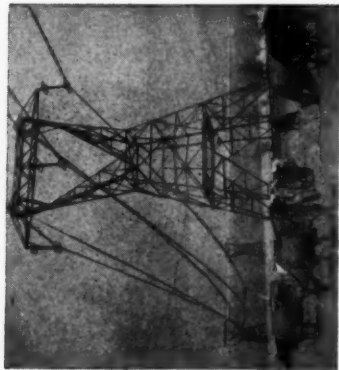
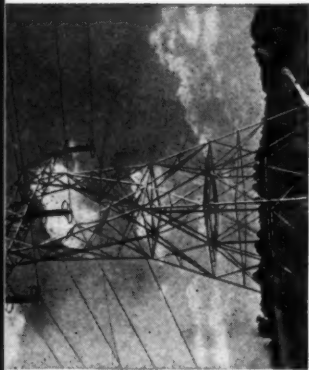
DODGE "Job-Rated" TRUCKS



Identical Twins?

"THERE AIN'T NO SUCH ANIMAL!"

THESE handsome twin brothers may appear identical even to their parents but, should you make a careful physical comparison test,



THESE handsome twin brothers may appear identical even to their parents but, should you make a careful physical comparison test, the difference would be more than apparent . . . Similarly, your engineers realize, as we do, that despite close resemblance no two transmission lines are exactly alike—therefore transmission towers supporting these lines must be designed with location and purpose in mind.

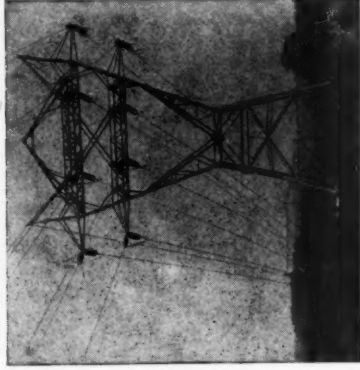
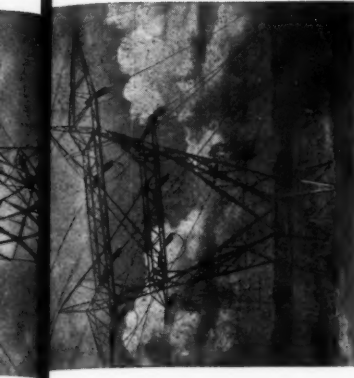
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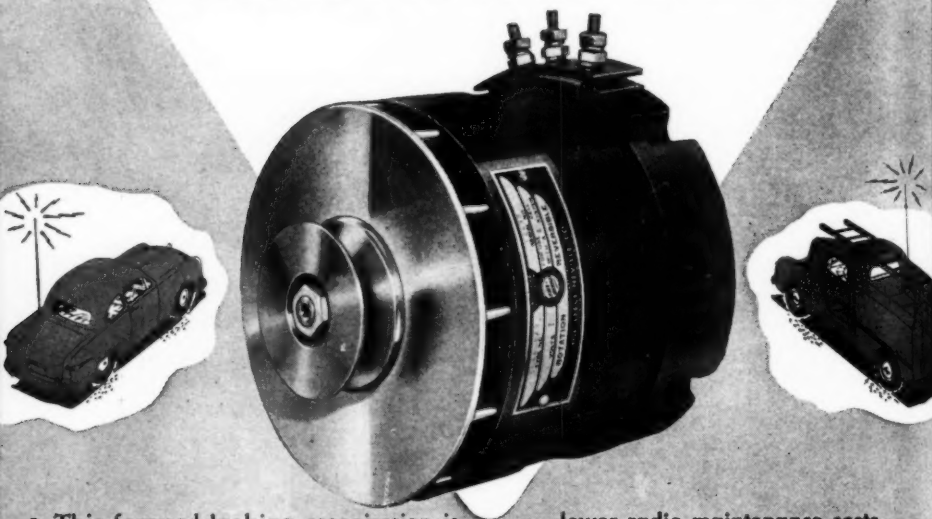


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(134,000 horsepower addition at Gorgas Steam Plant; 54,000 horsepower addition at Chickasaw Steam Plant)

Began Construction in 1951 for

207,000 **MORE** **1952**
Horsepower In

(Still another 134,000 horsepower addition at Gorgas Steam Plant; 73,000 horsepower at Martin Dam)

166,700 **MORE** **1953**
Horsepower In

166,700 **MORE** **1954**
Horsepower In

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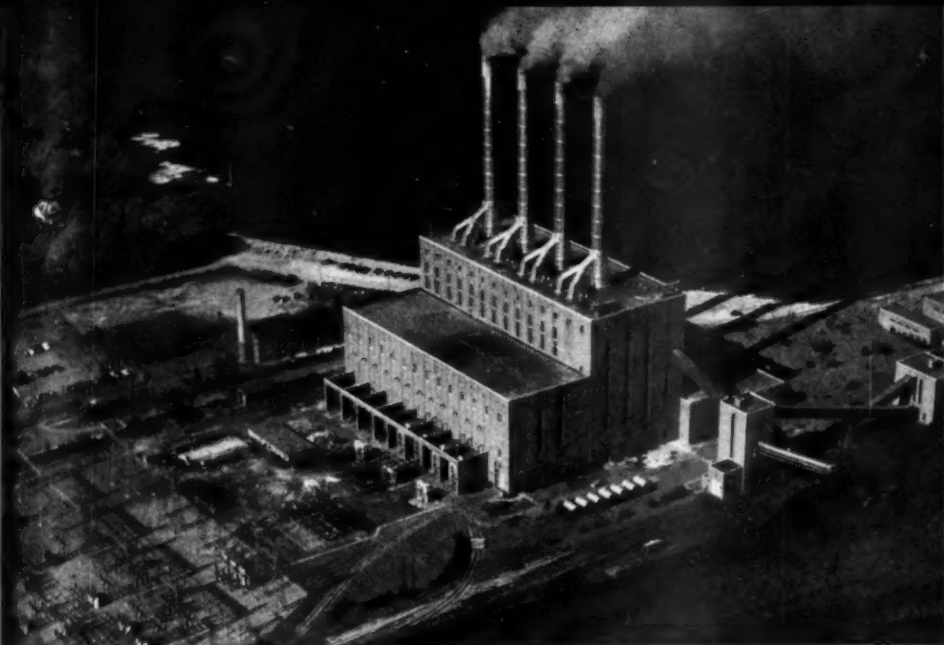
*The Corporation is offering to holders of its Common Stock the right, evidenced by transferable Subscription Warrants, to subscribe for these shares, all as more fully set forth in the Prospectus. The Subscription Warrants will expire at 3 P.M. E.D.S.T. on June 3, 1952. The several underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, both during and after the subscription period, may offer these shares as set forth in the Prospectus.

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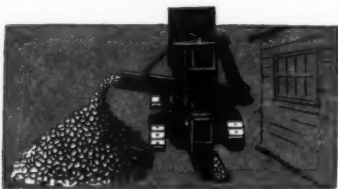
Why? Because with its Vertical Boom, the 44-C digs in any soil at any time of the year...digs right up to sidewalks, foundations, underground pipe...digs all the ditch, leaving no ramp to remove by hand...digs clean and straight up to 24" wide, 8'3" deep.



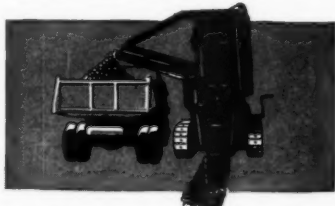
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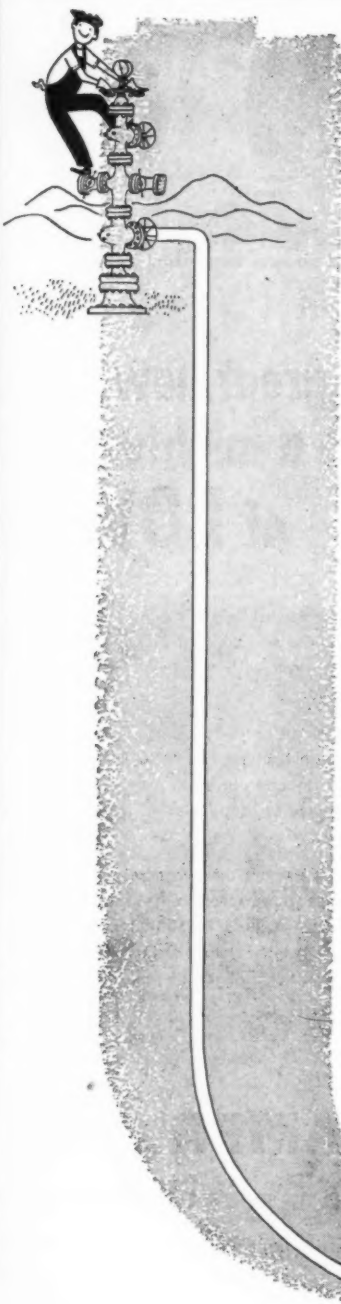
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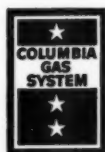
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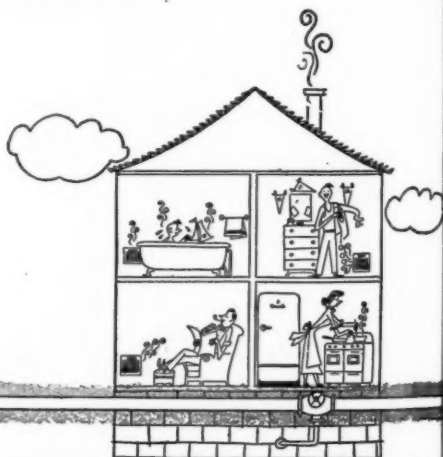


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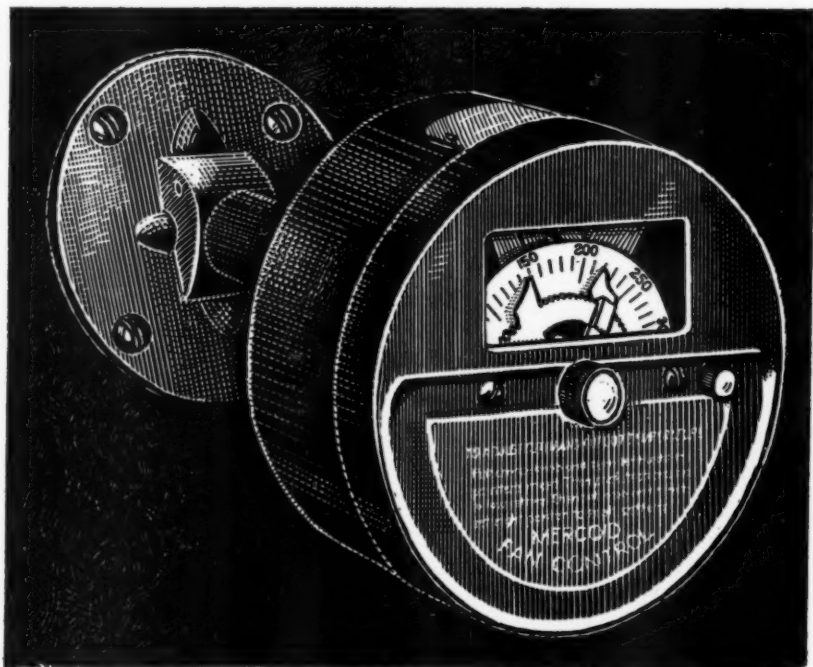
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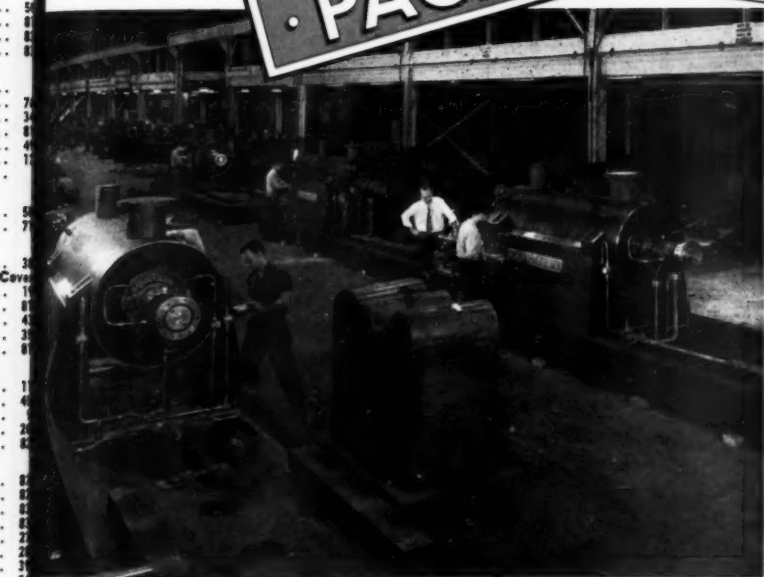
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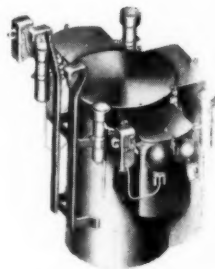
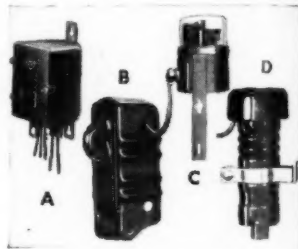
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